FINANCIAL TIMES

Europe's Business Newspaper

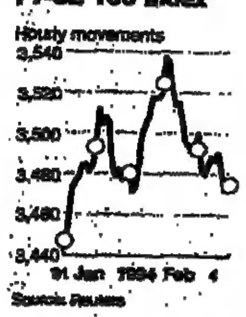
WEEKEND FEBRUARY 5/FEBRUARY 6 1994

Bank lending figures underline UK recovery

Higher bank lending, car registration and house sales figures yesterday sharpened the picture of steady recovery in the UK economy. High street banks' loans to the private sector surged from £3.13bn in the third quarter to £5.37bn in the fourth – the biggest seasonally adjusted rise for three years. January's new car registration were 20 per cent higher than a year earlier, and figures from 27 UK housebuilders showed sales picked up strongly last month. Page 22; Car market recovery, Page 5

Food queue shelled: Nine people were killed by mortars in Sarajevo as they queued for food handouts. Three of the dead were children and 15 people were injured.

FT-SE 100 Index



Source: Reuters

Shares in retreat: London stocks traded uneasily during most of yesterday and retreated further just before the close as the US Federal Reserve signalled a tighter monetary policy. At the official close the FT-SE 100 was 16.1 points lower at 3,475.4. But sellers were so plentiful that dealers said the index would almost certainly have shed another 10 points soon after 4.30pm. Page 13; Lex, Page 22; Markets, Weekend Page II

Berlusconi link sought: Italy's pro-autonomy Northern League said it was about to seal an alliance with the fast-growing Forza Italia movement of businessman Silvio Berlusconi as Italy geared up for March elections.

TV bids cleared: Granada's £650m hostile bid for LWT and Carlton's agreed £760m acquisition of Central Independent Television were cleared by the Department of Trade and Industry after the companies undertook to limit their shares of the TV advertising market. Page 8

Polish minister quits: Poland's finance minister Marek Borowsky offered to resign in a dispute with prime minister Waldemar Pawlak. Page 2

Computer passwords stolen: Tens of thousands of users of the vast international computer network Internet have had their passwords stolen, leaving their private files vulnerable to intruders. Page 22

Fish furore brings EC action: French prime minister Edouard Balladur pledged to help the ailing fishing industry as fishermen protesting against cheap imports clashed with riot police in the western city of Rennes. Picture, Page 2

Broadcast gag stays: Restrictions on broadcasting the voices of terrorists or their supporters in Northern Ireland are to remain in spite of reservations in the Northern Ireland Office. Sinn Féin, political wing of the IRA, is the only legal political organisation affected. Page 4

Malaysia picks new king: Former Malaysian diplomat and British-trained lawyer Sultan Tuanku Ja'afar Tuanku Abdul Rahman was chosen as the country's tenth king. Tuanku Ja'afar, 71, was picked to succeed Sultan Azlan Shah at a conference of the nine Malaysian sultans.

Abbey National: The UK mortgage lender has bought the £900m UK residential mortgage book of Canadian Imperial Bank of Commerce at an undisclosed discount to book value. Page 8

Volvo dismisses Saab link: Sweden's Volvo dismissed a suggestion from national rival Saab that the two car makers should consider co-operating following the collapse of Volvo's French merger plans. Page 9

Audi chief forced out: Audi chairman Franz-Josef Kortüm was sacked from the Volkswagen subsidiary. Page 9

British Coal is to close four more pits. The move means it will employ fewer than 10,000 miners by the end of April, down from 40,000 15 months ago and 200,000 a decade ago. Page 4

Shakespeare claim: Two poems written 400 years ago for a family in north Wales are probably the unacknowledged work of William Shakespeare, historian Tom Lloyd-Roberts claims. He thinks Shakespeare was there because plague had closed the London theatres.

■ STOCK MARKET INDICES

FT-SE 100:	3,474.4	(-16.1)
Yield	3.39	
FT-SE Eurotrack 100	1,529.77	(+2.60)
FT-SE-A All-Share	1,748.37	(-0.3%)
Nikkei	20,361.43	(+126.61)
New York: lunchtime		
Dow Jones Ind Ave	3,931.92	(-35.74)
S&P Composite	476.88	(-4.63)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.291%
Long Bond	98 11/16
Yield	6.344%

■ LONDON MONEY

3-mo Interbank	5 7/16%	(5 13/32%)
Liffe long gilt future:	Mar 117 3/32	(Mar 117 23/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$14.535	(14.855)

■ Gold

New York Comex (Feb)	$386.6	(387.3)
London	$387.7	(386.5)

■ STERLING

New York lunchtime:		
$	1.4885	
London:		
$	1.4918	(1.496)
DM	2.5897	(2.5937)
FFr	8.7897	(8.8038)
SFr	2.1564	(2.1661)
Y	161.248	(161.852)
£ Index	81.7	(81.9)

■ DOLLAR

New York lunchtime:		
DM	1.7585	
FFr	5.9505	
SFr	1.4855	
Y	109.17	
London:		
DM	1.736	(1.7314)
FFr	5.892	(5.877)
SFr	1.4455	(1.448)
Y	108.09	(108.045)
$ Index	66.8	(66.7)
Tokyo close Y 108.37		

Fed tightens monetary policy 'to sustain growth'

By Jurek Martin in Washington and Patrick Harverson in New York

The Federal Reserve yesterday announced the first tightening in US monetary policy in five years, pushing short-term interest rates higher.

In an unusual move, Mr Alan Greenspan, the Fed's chairman, issued a statement after the central bank's open market committee saying it had unanimously voted for "a less accommodative stance in monetary policy in order to sustain and enhance the economic expansion."

In congressional testimony earlier this week, Mr Greenspan had foreshadowed a tightening but left the timing in doubt. His statement yesterday was issued "so as to avoid any misunderstanding of the committee's purposes, given the fact that this is the first firming of reserve market conditions by the committee since early 1989."

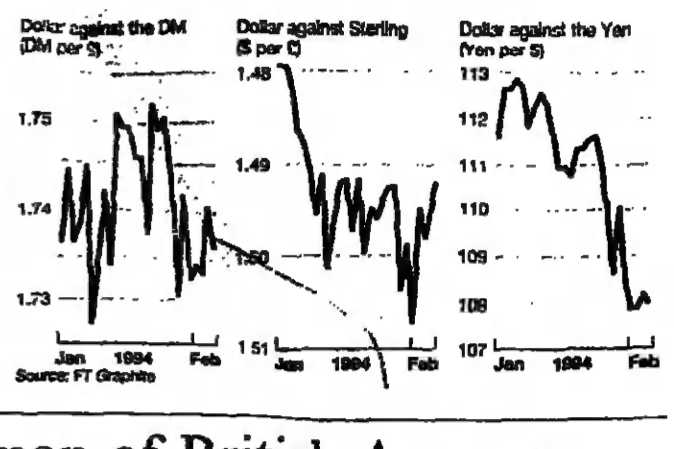
Share and bond prices in New York fell sharply after the Fed announced its move while the dollar strengthened. The timing of the interest rate increase surprised financial markets across the globe. However, it is not expected that European interest rates will move higher in the wake of the Fed's move. In London last night some analysts were still holding out hope of an early cut in bank base rates from 5.5 per cent.

On Wall Street, the Dow Jones Industrial Average dropped 35 points in as many minutes. Losses were particularly heavy in stocks of companies where earnings are sensitive to interest rate movements, such as banks, utilities and securities houses.

By 1pm the Dow was 37.42 lower at 3,930.24 in heavy trading. The Standard & Poor's 500 index, a broader measure of market performance, was down 5.38 at 475.84.

The US Treasury market also reacted badly to the rate rise, which the Fed achieved through a modest increase in pressure on banking reserve positions. This pushed up the federal funds rate, the rate at which banks lend to each other, by a quarter point to

Continued on Page 22
US jobs growth slows, Page 3
Editorial Comment, Page 6
Currencies, Page 11
World Stocks, Page 19
Lex, Page 22



Source: FT Graphite

Speculation grows that John Cahill will resign as chairman of British Aerospace

BAe revives hope of forging defence link with GEC

By Paul Betts, Bernard Gray and Tony Jackson

Defence may be the best attack .... Page 6
Cahill ready to stand down at BAe .... Page 8
Lex .... Page 22

British Aerospace has revived the idea of a strategic link with the General Electric Company aimed at creating a powerful single UK defence contracting group.

The news came as speculation within the company mounted that Mr John Cahill is to step down as chairman three years earlier than expected.

Mr Cahill's expected departure, which has no connection with the company's defence ambitions, would follow BAe's £800m sale this week of Rover to BMW of Germany which will refocus the company on its main aerospace and defence activities.

Following the Rover deal a large part of the restructuring of BAe has been completed, providing Mr Cahill with the opportunity to step down. His likely departure also follows unsuccessful attempts to link the company's regional jet aircraft business with Taiwan Aerospace, with which he was closely associated.

Mr Cahill, who succeeded Sir Graham Day as chairman in April 1992, may be replaced by a non-executive chairman appointed from outside the BAe board.

Mr Dick Evans, chief executive, said the future of the company's core defence activities ultimately lay in a relationship with the UK's other leading defence contractor.

"It is not if, it is a question of when," Mr Evans said, although he stressed that no talks were taking place at present.

Any eventual merger of the companies' defence activities would create the world's second largest defence contractor after Martin Marietta of the US. Mr Evans added that the UK could no longer afford two competing contractors in the shrinking world defence market.

He confirmed the two companies held talks last summer on the possibility of forming a single UK defence contracting company, but the discussions had to be halted after a report appeared in the Sunday Times.

Mr Evans said a link with GEC was inevitable. Close links between the companies would help secure the future of the UK's strong position in the world defence export market.

But Mr Evans said the company's priority was to stop the haemorrhaging of cash from its civil aircraft business. Yesterday, BAe announced it was writing off £250m for its loss-making turbo-propeller commuter aircraft division. Mr Evans indicated that BAe would shed other peripheral activities, including property assets held by its Arlington Securities subsidiary.

The BMW deal, coupled with yesterday's announcement of a £250m pre-tax provision to cover leasing liabilities on the company's turbo-prop business, were welcomed by the City. BAe's shares yesterday gained 22p to close at 575p, up 30 per cent on the week.

Mr Evans ruled out that the company would seek fresh funds through a rights issue. The group is now looking for joint venture partners for both its regional jet and turboprop operations.

John Cahill: speculation is mounting within BAe that he may step down as company chairman three years earlier than expected

Honda's technology controls threaten Rover deal

By Michiyo Nakamoto in Tokyo and John Griffiths in London

A tense poker game over the future of Rover Group was developing yesterday between the company's Japanese partner, Honda, and BMW, the German carmaker which has agreed to buy the British group for £800m.

New uncertainty over the controversial deal, which left Honda bitterly angry, emerged as it became clear that the Japanese company retains a stranglehold over some of Rover's key models, including the new 600.

Far from being an outraged but helpless bystander at the sale of the British partner, with which it has developed close ties over 15 years, it is understood that Honda has tight licensing agreements with Rover which place strict limits on the use the British company may make of the technology used in its most successful models.

Should Honda, which still retains 20 per cent of the British carmaker, decide to end the partnership, Rover could be obliged to stop production of the key 600 and 400 ranges and its own 2-litre engines within three months, or at least until they could be expensively re-engin

Continued on Page 22

Anger over Portillo attack on foreign corruption

By Roland Rudd

Mr Michael Portillo, chief secretary to the Treasury, yesterday launched an attack on foreign corruption, which threatened to embroil the party in another damaging row.

After delivering the speech to students in Southampton, Mr Portillo later said he had made a mistake in "grossly exaggerating" the corrupt practices which take place abroad.

But his comments infuriated some Conservative backbenchers who questioned Mr Portillo's judgment in making a controversial speech in the wake of the prime minister's call for party unity.

Mr Robert Hicks, a pro-European, said: "This is ridiculous. I wonder if he lives in the real world. Where is the evidence in our community partners that such practices exist."

Another senior Conservative MP said: "Mr Portillo's comments are a severe embarrassment to the government and Mr John Major."

Mr Portillo told Southampton students: "If any of you have got

Continued on Page 22

O'Reilly on top in Independent battle

By Maggie Urry, Diane Summers and Norma Cohen

Mr Tony O'Reilly's Independent Newspapers group last night appeared to gain the upper hand in the struggle for control of Newspaper Publishing, publisher of The Independent and the Independent on Sunday.

In a swift response to a £55.1m formal bid from a consortium backed by Mirror Group Newspapers, Mr O'Reilly's Dublin-based group accumulated a 24.99 per cent stake in Newspaper Publishing paying 350p a share to institutional investors. This topped the MGN offer worth 261.6p a share in cash and MGN shares, or 250p a share all in cash.

The consortium holds 47.1 per cent of Newspaper Publishing's shares. It has founders of The Independent including Mr Andreas Whittam Smith, editor-in-chief, with 7.45 per cent, and two existing shareholders, the Spanish and Italian newspaper groups El Pais and La Repubblica, each holding 18.4 per cent.

The share purchase seems to leave the consortium offer with little chance of success unless it is increased. The committee of non-executives directors of Newspaper Publishing said the MGN bid was too low and it welcomed its new shareholder, which gave assurances of financial support.

Journalists at The Independent and the Independent on Sunday said they were "immensely relieved" by the news of Mr O'Reilly's stake and said it appeared to scupper the consortium's bid. The consortium said last night it would press ahead with the bid. The Spanish and Italian investors reaffirmed their commitment to the MGN-backed offer.

MGN said it was too early to say whether there would be an increased bid. Last night Mr David Montgomery, chief executive of MGN, was understood to be in urgent talks with other members of the consortium.

Brokers moved on behalf of Independent Newspapers soon after the MGN consortium had launched its offer, early in the morning for the 52.92 per cent of Newspaper Publishing it does not already own. They contacted institutional investors offering 350p a share on "a first come first served basis."

At 13.37pm Independent Newspapers was able to announce that it had purchased 24.99 per cent of Newspaper Publishing and asked for representation on the board.

Lex, Page 22

CONTENTS

Austria Sch32; Bahrain Din1.250; Bermuda $1.65; Belgium BFr65; Canada C$1.40; China RMB24; Cyprus C£1.10; Czech Rep CZK60; Denmark DKr16.00; Egypt E£5.00; Finland Fmk14; France FFr8.00; Germany DM3.50; Greece Dr350; Hong Kong HK$16; Hungary Ft185; Iceland IKR215; India Rup60; Indonesia Rp4,050; Israel NS8.00; Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr65; Malaysia Rm4.50; Malta Lm0.60; Morocco Dh15.00; Nigeria Naira50.00; Netherlands Fl4.00; Norway Nkr17.00; Oman OR1.50; Pakistan Rs40; Philippines Peso 50; Poland Zl 32,000; Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep Sk31.50; South Africa R11.00; Spain Pta225; Sri Lanka Rup30; Sweden SKr16.00; Switzerland SFr3.30; Taiwan NT$65; Thailand Bht50; Tunisia Din1.500; Turkey L10000; UAE Dh12.00; USA $1.25 (Alaska & Hawaii $1.75)

 No 32,285 Week No 5

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Dutch contest EU decision on information

By David Gardner in Brussels

The Dutch government yesterday decided to start legal action against its European Union partners in an attempt to overturn their decision to limit public access to information on EU decisions.

The Dutch decision to take the Council of Ministers of the 12 to the European Court of Justice comes after a warning on Thursday from Mr João de Deus Pinheiro, European commissioner in charge of the "openness" policy, that the Commission would "go it alone" with a more open system if the Council restricted public access to information.

The Dutch move will cast an embarrassing spotlight on the much-vaunted open decision-making policy proclaimed by the last five summits of EU heads of government, in response to Danish voters' initial rejection of the Maastricht treaty in June 1992.

The credibility of this stance was badly dented in December when the habitually secretive Council got a discretionary catch-all clause on confidentiality inserted into the new code of conduct on access to information, at the behest of Belgium, the UK, Germany and Portugal.

The policy originally prescribed right of access to all EU information, except where monetary stability, national security, commercial confidentiality, privacy, or relations with non-member countries could be endangered.

The Council wanted to add to these grounds for refusal provisions "to protect the interests of the [EU] institution and safeguard the secrecy of the deliberations".

This was watered down under Dutch and Danish pressure, but the compromise still gives EU institutions the discretionary right to reject requests for information they consider "manifestly unreasonable, which is to say a request that could be contrary to the efficiency and good order of the institution".

The Dutch voted against this compromise, while Denmark assented in exchange for a review after two years. Dutch government officials want this code of conduct annulled, since it was put through by majority vote under Article 151 of the EU treaty, which governs internal regulations. They argue that the declared attempt to enhance the rights of European citizens can not be an "internal" matter, and should be dealt with under Article 173, which requires unanimous assent.

"It's politically worthwhile to undo this decision," Mr Piet Dankert, Dutch European affairs minister, said yesterday. "We should do this especially because support for European integration is already in doubt because of too many bureaucratic and secretive structures."

Mr Pinheiro told journalists on Thursday that, in practice, "I think it would be very difficult for the Council to follow a different route from the Commission" on access to information. But he warned: "If they introduce some sort of arbitrary censorship, then we will go it alone."

Balladur announces new aid measures after fishermen battle police in Rennes

Brussels moves to prop up fish prices

By David Buchan in Paris and David Gardner in Brussels

The European Commission and the French government yesterday took steps to prop up the prices of fish and fishermen's revenues, in the wake of a series of violent protests in France.

After meeting protest leaders in the Breton capital of Rennes, Prime Minister Edouard Balladur announced his second set of aid measures to France's fishermen in two days.

The latest package includes a temporary halving of fishermen's social security payments and a revenue guarantee thereafter, as well as a doubling of the money promised by the government on Wednesday to take surplus fish off the market.

In Brussels, the European Commission reinstated a minimum import price threshold for seven species of fish, but said the measures would run only until March 15. Brussels warned that the collapse in white fish prices, although "undeniably linked to an import surge at abnormally low prices", was nevertheless caused by deeper structural problems such as falling demand and oversupply from within the EU.

Minimum import prices are the reference prices the EU uses to monitor the market and will apply to cod, haddock, hake, angler-fish, coley, Alaskan pollack and salmon. The Brussels move is almost identical to measures taken this time last year, when the Breton fleet last dramatised the collapse in the fish market.

"The French market requires serious analysis, which requires a combination of solutions going beyond the introduction of these safeguard clauses," said Mr Ioannis Paleokrassas, environment and fisheries commissioner, before emphasising that yesterday's measures were temporary.

In the Netherlands, members of the Dutch parliament demanded that Dutch fishermen should get similar support from their government and expressed concern that aid to the French fishermen would otherwise distort competition inside Europe.

In addition to financial aid, Mr Jean Puech, the French agriculture minister, has set up an inquiry into the efficiency of France's fish distribution network. Much of the current problem seems to stem from the fact that fishmongers, the traditional purveyors of Breton-caught fresh fish to the shops, are being squeezed out by the tendency of the big supermarkets to buy direct from large foreign suppliers.

Even before imports are taken into account, the EU regime of quotas intended to restrict over-fishing creates surges in supply. This is especially true in February, because quotas are exhausted towards the end of the preceding year, and bad weather usually keeps fishermen in port during January. Fish then flood onto the market in February as fleets rush to build up cash-flow.

Cheap imports from Russia, Iceland, Poland and – especially in the case of salmon – Norway greatly add to market instability, leading in France's case to government buying in to intervention stocks at well above permitted EU levels.

Fishermen's leaders expressed some satisfaction at the measures taken by Brussels and the French government. But Mr Dominique Lapart, head of the fishermen's "survival committee" which had organised much of this week's violent protests in Paris and in Breton and Channel ports, said: "What we still most lack is import quotas. The problem of extra-Community imports still remains."

Yesterday's clashes in Rennes saw fishermen and riot police throwing missiles and tear gas at each other and some 23 people reported hurt. Mr Balladur called for order in the town, saying that "violence has never made anything better".

Mr Franz Fischler, Austrian agriculture minister, has strongly criticised the latest European Commission proposals on agriculture which would force Austria to reduce sharply its sugar and grain production under European Union quotas, writes Patrick Blum from Vienna.

Speaking on Austrian television on his return from Brussels on Thursday evening, Mr Fischler said the Commission's proposals contained "very negative elements". His comments come less than a month before the March 1 deadline for completing Austria's and the three Nordic countries' negotiations on EU membership.

A protester aims a slingshot at riot police through smoke from teargas during a confrontation between fishermen and police in Rennes yesterday

Associated Press

Warsaw deputy premier Borowski offers resignation

Mr Marek Borowski, Poland's finance minister and deputy premier in charge of the economy, offered his resignation yesterday as leaders of Poland's two coalition parties sought in vain to define their relationship within the government, writes Christopher Bobinski from Warsaw.

Several hours of crisis talks yesterday saw leaders of Mr Borowski's Left Democratic Alliance (SLD) failing to wring assurances from Mr Waldemar Pawlak, the prime minister and Peasant party (PSL) leader, that he would respect the division of powers inside the government agreed when the coalition was established last autumn.

Mr Pawlak has yet to accept the resignation, which comes after he last week dismissed Mr Stefan Kawalec, a deputy finance minister, against Mr Borowski's wishes. That sacking followed a row over the pricing of a bank privatisation.

Romanians repeat strike

More than 800,000 Romanian workers yesterday took part in a one-day warning strike, in the second big union action in a week, the Alfa Cartel union confederation reported, Virginia Marsh writes from Bucharest.

Alfa, Romania's second largest union bloc, said workers from all 24 of its federations, concentrated in metallurgy, mining, electronics, and agro-industries, had taken part in the protest. The union confirmed it would launch an all-out general strike on February 16 if its demands for a better social security system and faster economic reform were not met.

Fears of conflict in Crimea

The pro-Russian president of Ukraine's Crimean Republic yesterday stepped up his rhetoric of separatism, reinforcing fears that Crimea may become the next conflict in the former Soviet Union, writes Jill Barshay from Kiev.

"We are present at a historical ceremony of concluding the formation of our statehood," said President Yuri Meshkov, who won a landslide victory in last Sunday's elections. "Crimea is becoming a democratic republic with presidential rule."

Spanish deficit narrows

Spain's current account deficit narrowed to Pta10bn (£47m) in December 1993 from Pta146bn in December 1992, the Bank of Spain said yesterday, writes Our Foreign Staff. The trade deficit also fell to Pta132bn in December 1993 from Pta209bn a year earlier. The current account recorded a surplus in November 1993 of Pta173bn, and a trade deficit of Pta158bn.

EU unemployment steady

The unemployment rate in the European Union remained unchanged in December 1993 from November, at a seasonally adjusted 10.9 per cent, writes Our Foreign Staff.

Eurostat, the EU statistical office, yesterday reported that average annual unemployment in the EU was about 15.8m or 10.5 per cent in 1993, compared with 13.9m (9.4 per cent) in 1992. Unemployment rose in all EU countries between the two years.

Malawi controls moves

The Reserve Bank of Malawi has lifted exchange controls and authorised commercial banks to buy and sell foreign currencies at market rates, writes Nick Young from Blantyre.

This liberalisation package, intended to enhance to export competitiveness and simulate growth, comes amid chronic foreign exchange shortage.

Action on Aids drugs

The World Health Organisation is to deepen collaboration with leading pharmaceuticals companies in trying to speed development and distribution of new Aids drugs and vaccines, writes Frances Williams from Geneva.

The United Nations agency and the International Federation of Pharmaceutical Manufacturers' Associations have identified areas of co-operation in research, development, marketing and distribution of Aids-related drugs.

China frees dissidents

China has released three more dissidents in a further effort to counter international criticism over human rights, writes Tony Walker from Beijing.

The official New China news agency yesterday announced that Xiao Bin, Liao Yiwu and Ding Junze had been freed. All three were involved in the pro-democracy protests of 1989.

Ex-ministers could be charged in Greek corruption probe

By Kerin Hope in Athens

Greece's Justice Ministry yesterday launched a new investigation into allegations of corruption during the sale of a state-controlled cement company to a subsidiary of Italy's troubled Ferruzzi group.

The move, coming after a supreme court prosecutor, Mr Athanassios Sioulas, refused to hand over files on a preliminary inquiry into the sale, signalled that the Socialist government is preparing for a political confrontation over the issue.

Mr Sioulas, accused by the government this week of trying to delay the inquiry, must now surrender all the documents in the case to a criminal prosecutor appointed yesterday by the justice minister, Mr Giorgos Kouvelakos.

Several former conservative cabinet ministers could face charges of fraud and breach of trust as a result of the minister's decision to intervene.

The killing last week of Mr Michalis Vranopoulos, a former governor of the state-controlled National Bank who was the chief Greek negotiator in the sale of Heracles General Cement, brought the affair back to prominence.

The left-wing Greek terrorist group November 17 said it carried out the killing, claiming former government members had accepted bribes in the privatisation of Heracles.

Heracles was sold in 1992 to Cal-Nat, a Greek-Italian joint venture controlled by Calcestruzzi, the construction arm of Ferruzzi, for Dr124bn (£330.6m) in the biggest deal carried out under the former conservative government's privatisation programme.

Ferruzzi officials have claimed that kickbacks were paid to Greek officials to ensure the sale went through. The Socialist government is considering whether to renationalise the company by acquiring Calcestruzzi's 52 per cent share in Cal-Nat, which is being offered for sale.

German unions to meet engineering employers' leaders

By Ariane Genillard in Bonn

Germany's week-long engineering sector dispute abated yesterday as trade union leaders and employers announced a return to the negotiating table on Monday.

Gesamtmetall, the engineering workers' employers association, said its leaders in the state of North Rhine-Westphalia would meet their counterparts from the IG Metall trade union in Cologne to discuss new compromises for wage agreements in 1995.

The meeting will break a week-long deadlock in wage negotiations which has been marked by protest strikes across the country.

Between 60,000 and 150,000 workers have stopped work for several hours a day in protest against employers' refusal to grant them a 5.5 per cent pay increase for 1995. Gesamtmetall is instead offering a cut in real income and a reduction in holiday pay.

The news of a return to the negotiating table came as figures for December industrial orders confirmed economists' views that the German economy is slowly recovering.

West German industrial orders for the month rose by a seasonally-adjusted 1.1 per cent over November. Domestic orders declined by 3.5 per cent, however, while foreign orders rose by 1.5 per cent, according to the federal Economics Ministry.

On a two-month basis, favoured by the ministry because it removes the impact of seasonal factors, orders in November and December were down 2 per cent from the previous two months, with orders for capital goods recording the sharpest drop, at 4 per cent. November and December orders were up by 2 per cent on the same period in 1992, however, with domestic orders down 2.1 per cent, but foreign orders up by 10.3 per cent, confirming a pick-up in demand outside Germany, particularly in the US.

Cariplo chairman stands down while under investigation

By Robert Graham in Rome

Mr Roberto Mazzotta has temporarily stepped down from the chairmanship of Cariplo, Italy's largest savings bank, following the issue of an arrest warrant by Milan magistrates on Monday on charges of alleged corruption.

Arrest warrants were also issued for three other bank officials including Mr Carlo Polli, the deputy chairman, on similar charges relating to phoney property transactions by Milan-based Cariplo's rich pension fund. According to Milan magistrates the transactions carried out between 1985 and 1992 involved more than L5bn (£2m). Part of this was channelled illicitly to the Christian Democrats and Socialists, who exercised the main political influence over Cariplo.

The magistrates are understood to be investigating some 50 property transactions. Cariplo, which has the largest deposit base of any financial institution in Italy, has assured clients that its financial operations are not affected and that the investigations affect its independently operated pension fund.

Mr Mazzotta, a former Christian Democrat minister, is still believed to be abroad and his temporary resignation was conveyed to the board on Thursday. This move is in line with Bank of Italy directives issued last year requiring executives to step aside pending judicial enquiries.

Mr Mazzotta was appointed chairman in 1987 by the then Christian Democrat-dominated government against the opposition of the Bank of Italy. It is not clear whether the board or the government has the right to nominate a successor. As it is a Milan-based savings bank, the populist Northern League of Mr Umberto Bossi is anxious to have a representative on the board.

● Mr Bossi yesterday said he was willing to make an electoral alliance with Mr Silvio Berlusconi, the media magnate, provided the latter had no links with "southern fascism".

This condition underlined the fact that the central obstacle to a deal between the League and Mr Berlusconi's nascent Forza Italia (Come On Italy!) movement is Mr Berlusconi's contacts with the neo-fascist National Alliance. Mr Bossi was speaking at the opening of the League's three-day congress in Bologna.

● The uneasy marriage between industrial Mestre and historic Venice will be put to the test for the third time since 1979 in a referendum on Sunday. Those favouring continued unification of the two communities have a narrow lead of 51 per cent in the opinion polls.

EU plans closer ties with Ukraine

By Lionel Barber in Brussels and Jill Barshay in Kiev

The European Union aims to wrap up negotiations on a more generous partnership and co-operation agreement with Ukraine before the March 27 parliamentary elections, a European Commission official said yesterday.

The announcement of closer ties reflects concern in Brussels over the collapse in Ukraine's economy and a desire to use the prospect of stronger western trade and political ties to dampen extreme Ukrainian nationalism in the March poll.

At the same time, there was continued confusion over whether Thursday's vote by the Ukrainian parliament had gone as far as ratifying the Start I disarmament treaty, although it was widely acknowledged to have removed obstacles to ratification.

The UK interpreted the vote as a decision to ratify, which it "warmly" welcomed, but the US did not go as far. Mr William Miller, the US ambassador in Kiev, said the US was "very pleased" that the vote had marked the "removal of the parliament's reservations to ratification of the Start treaty".

During Thursday's debate MPs insisted on more specific details on financial compensation, security guarantees and dismantlement procedures. Parliament told the government to finalise these technical agreements with the exchange of ratification instruments. This leaves a loophole for the Ukrainians on ratification should the technical agreements not be concluded to parliament's satisfaction.

Parliament did not ratify the Nuclear Non-Proliferation treaty on Thursday, but will reconsider in a couple of weeks.

Meanwhile, EU officials said partnership pact with the Kiev government could be signed before a similar agreement with Moscow.

High-level talks between Russia and the European Commission continued yesterday, but there were few signs of progress on the two most difficult obstacles, the treatment of Russian uranium exports and the need to safeguard the position of foreign banks operating in Russia.

These issues have held up an EU-Russia partnership accord since President Boris Yeltsin's visit to Brussels last December.

The uranium dispute is particularly tricky because Russia wants uranium imports to be subject to the liberal safeguard clause in the planned partnership agreement; but France wants to protect its own industry, which supplies its nuclear power programme.

On Monday, EU foreign ministers will discuss progress on the Ukraine and Russia partnership agreements at a meeting in Brussels. Ministers are expected to agree to a mandate for the Commission to negotiate proposed free trade agreements with Estonia, Latvia and Lithuania, with Estonia likely to receive more favourable treatment because it has liberalised its economy faster than its Baltic partners, a Commission official said.

Ministers will probably make clear that the Baltic-EU free trade pacts are a significant step toward an association agreement with the Union on the lines of those already agreed with the Czech republic, Hungary, Poland, Slovakia, Bulgaria and Romania.

Moscow acts on enterprises' debts

By Leyla Boulton in Moscow

The Russian authorities yesterday proposed to tackle an estimated Rbs15,000bn in unpaid bills among enterprises by making them divert part of their revenues to paying suppliers.

The so-called non-payments crisis, which threatens to drag down potentially profitable companies along with bankrupt ones, is caused by Russian managers who, on a massive scale, deliver goods without being able to secure payment for them.

At the root of the crisis is the fact that bankrupt enterprises are not being pushed into closing or restructuring, while others, which have money, are not forced to pay their bills in the absence of basic commercial discipline.

Mr Sergei Dubinin, acting finance minister, told parliament that in a first stage, the state would pay some of its own debts to companies on condition they spent the money on repaying their own creditors. This would include the payment in the first quarter of Rbs1,500bn owed by the government to the defence industry, and of another Rbs1,500bn to construction companies and farms. Tax revenues in the first quarter are estimated at Rbs8,000bn.

In a second stage, the Finance Ministry and central bank proposed to force companies to allocate part of their revenues to paying off their debts – to the taxpayer, the workers, and the suppliers – in proportions set by the government. But this would be possible only if parliament agreed to amend legislation banning the state from interfering with enterprises' bank accounts.

The state has some ability to enforce the first plan by paying some of the money directly to the creditors of the companies it plans to reimburse. But it is not clear how much room for manoeuvre it will have to enforce the second, given enterprises' accumulated experience in avoiding obligations.

Gerashchenko: hero's welcome

Mr Victor Gerashchenko, the central bank chairman, who was welcomed like a hero by a parliament which dislikes the country's former radical rulers even more than he does, said the former government's solution – of introducing promissory notes which would allow creditors to start bankruptcy proceedings against debtors – was premature.

Mr Dubinin said he was still committed to the scheme, outlined in a presidential decree produced with the help of his predecessor, Mr Boris Fyodorov, but agreed that it needed some more work before it could be implemented.

Although various courts around the country have already declared dozens of companies bankrupt, an important obstacle to the scheme is the government's reluctance to take responsibility for open unemployment.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

American products go to war in Vietnam

By Iain Simpson in Hanoi and Our New York Staff

Within hours of President Clinton's decision to end the Vietnam trade embargo the first American company had arrived yesterday to grab a slice of the action.

By the end of the day, Pepsico, the US soft drinks maker, not only had bottles of Pepsi-Cola rolling off a production line in Ho Chi Minh City, but was preparing to advertise its product on television this weekend with a commercial starring Miss Vietnam.

Pepsi, which had signed an agreement with a local bottler last year in anticipation of the embargo ending, seemed to have stolen a march on its rival, Coca-Cola. But Coke said it would not be far behind. "Local production will begin as soon as concentrate and other necessary materials can be brought into the country."

Another famous US brand, American Express, will also soon appear. This week the US charge card company took the first step towards creating a network of hotels, retailers and others who will accept the card as it signed up the state-owned Bank for Foreign Trade of Vietnam to act as its paying agent in the country.

Meanwhile United Airlines, the biggest US carrier, said it would begin scheduled air services between Los Angeles and Ho Chi Minh City as soon as it had received government approvals. It acquired the rights to the route from the now-defunct Pan American World Airways in 1986.

In fact, American brands are already ubiquitous in Vietnam. Products from Coca-Cola to IBM get round import restrictions if they have been bottled or assembled somewhere other than the US.

US companies have been permitted to set up offices in Vietnam and sign contracts with Vietnamese parties since December 1992, when President Bush partially eased the embargo. That has allowed US companies to make extensive preparations for trade.

General Electric, for example, set up an office in Vietnam last year. It said it saw about $2bn of opportunities in the next decade for GE equipment such as medical equipment, locomotives and power plant.

Otis, the elevator company owned by United Technologies, which ceased operations in Vietnam in 1975, said more than 200 of its lifts were still in the Ho Chi Minh city area and it began negotiating joint venture deals to return to the country last year.

Hanoi is reserving its warmest welcome for US companies selling the new technology it badly needs.

American business consultants in Hanoi say Boeing is expected to bid soon for a contract to supply Vietnam Airlines with new medium- and long-range jets. A delegation from General Electric was in Vietnam last week discussing a big power plant and other projects. Other sectors of particular interest to the government are computers and telecommunications, as well as the oil and gas industry from which Hanoi hopes to increase its revenues, partly with the help of American technology.

Clinton calls an end to US Vietnam myths

Victor Mallet reports on why post-war confrontation has been allowed to persist

President Clinton's decision to lift the US trade embargo against Vietnam – announced in the early hours of Friday morning, Vietnam time – should mark the end of the long confrontation between Washington and Hanoi which has been so damaging to both sides.

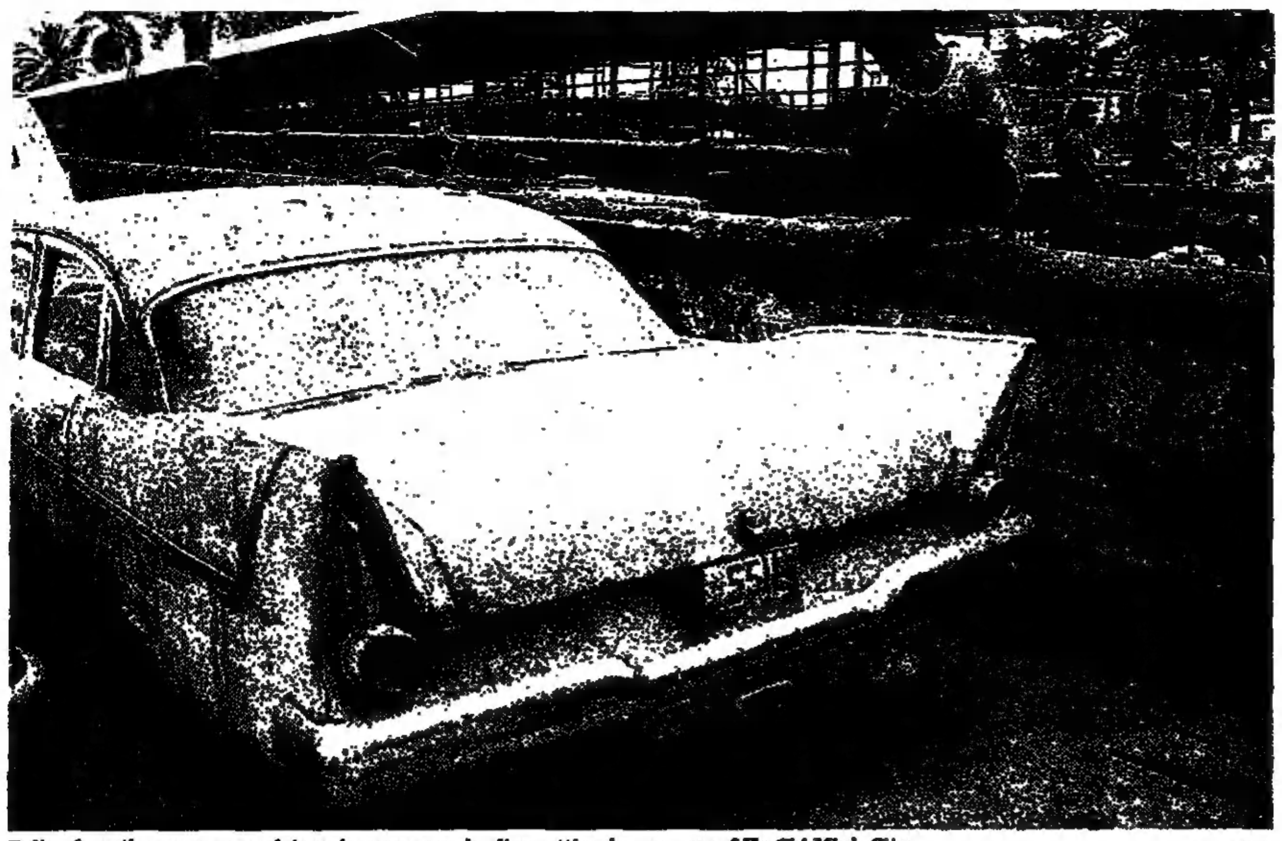
Vietnamese nationalists have often been baffled by American attitudes to their country.

Ho Chi Minh, the father of Vietnamese communism whose embalmed body can still be seen in a mausoleum in Hanoi, so admired American ideals and American condemnations of colonialism that he called repeatedly on the US for help in his struggle against the French, particularly after the second world war.

In declaring independence in Hanoi in 1945 for the brief period before the French colonisers returned in force, Ho echoed Jefferson in starting with the words: "All men are created equal." He sent numerous appeals for assistance by letter and telegram to the Truman administration.

There was no reply. The Cold war was beginning, and eventually the US, in supporting the government of South Vietnam, replaced the French as the main enemy of Vietnamese communists in the north.

Casualties were disproportionate – hundreds of thousands of Vietnamese dead compared about 60,000 Americans – but after the war the Vietnamese have been more willing to forgive the Americans than the Americans are to forgive them. (The communists reserved most of their bitterness for those of their fellow-Vietnamese who had sided with the South Vietnamese government; many were sent to re-education camps.)



Relic of another era: an aged American gas-guzzler lies rotting in a corner of Ho Chi Minh City Fergus Wilde

The fate of US soldiers missing in action (MiAs) in Vietnam continues to generate intense interest in the US and further afield, although fewer than 100 are still completely unaccounted for. An estimated 300,000 Vietnamese are also MiAs, but neither Hanoi nor Washington has ever expressed more than token concern for Vietnamese people widely assumed, like the Americans, to be dead.

By the mid-1960s, while the US was still obsessed by the humiliation of its defeat and reluctant to forgive the Vietnamese communists for winning, Vietnam's rulers had other problems to deal with.

They were trying to extricate their armed forces from neighbouring Cambodia (where they had overthrown the Chinese-backed Khmer Rouge in 1979) and confronting a hostile China, while relying on a communist economy that was evidently a failure.

From 1986, economic reform became the priority. Vietnam started to court the Americans because Washington was blocking aid from the International Monetary Fund, the World Bank and the Asian Development Bank.

Vietnamese co-operation in the hunt for US MiAs improved dramatically, and President Clinton lifted the veto on multilateral aid in July last year, a move which was in economic terms much more important than this week's ending of the unilateral and ineffective US trade embargo.

For reasons of foreign policy, however, the Vietnamese will be delighted to see a stronger American presence in their country. Washington is regarded as a useful counterweight to China – a traditional enemy of much greater historical significance to Vietnam than the US (and closer besides).

Most Vietnamese welcome the end of the embargo, although of course there are hardline Vietnamese communists who remain as suspicious of the Americans as hardline American MIA lobbyists remain of the Vietnamese.

No single cause ended the embargo; there was pressure from US companies which wanted to take advantage of Vietnam's fast-growing economy, and there was the Vietnamese government's anxiety to please Washington by helping in the hunt for MiAs; there was also a feeling among some Vietnamese-Americans that the time for isolating Vietnam was over.

Ms Tiana Thi Thanh Nga, a flamboyant Hollywood actress and karate expert, recently returned to Vietnam against the advice of her anti-communist relatives (her father and uncle were ministers in the South Vietnam government) and created an extraordinarily moving and amusing documentary which explores the tortured relationship between the US and Vietnam.

"Hollywood," she said on a recent trip to south-east Asia, "is perpetuating the myth of the Gook and the Rambo, and they all buy it." Perhaps, after Mr Clinton's announcement, there will be fewer buyers than before.

Hanoi polite but cool over lifting of embargo

By Iain Simpson

The government in Hanoi welcomed the lifting of the embargo in a polite but unenthusiastic statement. Vietnamese officials had come to view the embargo as unfair punishment for winning the Vietnam war and they believe they have waited far too long for the punishment to end.

The deputy foreign minister, Le Mai, attacked the embargo as an abuse of power by the US and contrary to international law.

Hanoi wants to see normal relations with the US but many obstacles remain. Financial compensation, the fate of missing American servicemen and Vietnam's human rights record are among issues to be tackled.

Talks are due to start in Hanoi on February 15 to settle claims by governments and individuals in both countries for property seized after the end of the war. The claims are worth hundreds of millions of dollars and include assets of the former South Vietnamese government which have been frozen in the US.

Full diplomatic relations between the two countries could still be a year or more away.

Meanwhile, Hanoi is left wondering what it gains from the lifting of the embargo. Although American companies will now be able to sell their products in Vietnam, Vietnamese exports to the US will not be able to compete with neighbouring countries whose products attract low tariffs under their Most Favoured Nation trading status.

For now, though, people all over Vietnam are celebrating; not because President Clinton has finally lifted the embargo but because next week is the Vietnamese New Year, and the anniversary of the Tet offensive 26 years ago, the turning point of the war.

Vietnamese people hope this year will be another turning point, away from memories of war and towards a more prosperous future.

Japan's ruling parties seek compromise

By William Dawkins in Tokyo

Japan's fractious coalition parties will this weekend try to reach a compromise on controversial tax reform plans after the prime minister Mr Morihiro Hosokawa agreed yesterday to freeze the proposals.

Mr Hosokawa yesterday apologised for failing to "ensure sufficient contact" with his seven coalition partners before announcing a Y6,000bn (£36bn) per year tax cut to be financed by a 7 per cent tax on goods and services to be introduced in 1997. The move provoked the Social Democratic party, the coalition's largest member, and a strong opponent of a rise in the present 3 per cent sales tax, to threaten to leave the government.

The row has delayed a record Y15,100bn economic stimulus package which Mr Hosokawa hopes to publish before he meets Mr Bill Clinton, the US president, in Washington next Friday. Next year's budget, already two months late, and a supplementary budget for the current year, are also deadlocked by the tax row.

Mr Masayoshi Takemura, chief cabinet secretary, said the government now hopes to present its economic package – originally due in December – by Monday or later and a draft budget before the end of the week. "The schedule is already very tight, but we must keep that deadline," he said. There was "a direction towards some form of compromise," in the coalition, he said.

Mr Hosokawa had asked cabinet members "calmly to reconsider". The proposed tax cut and counterbalancing sales tax rise is the centrepiece of the package, which includes government spending and loans.

The prime minister yesterday stuck to his position that the new "welfare" tax – to replace the current sales tax – is essential to finance the proposed income tax cut. He received unusually outspoken support from Mr Jiro Saito, vice finance minister – the most senior bureaucrat in Japan's most powerful ministry – who argued that any reduction in the proposed 7 per cent welfare tax would make income tax cuts impossible.

The row has widened a growing rift between the centre right of the coalition and the rest. The tax plan has the general support of the Japan Renewal party, which dominates coalition economic policy, and the Buddhist-backed Clean Government party, as well as the Finance Ministry and parts of the opposition Liberal Democratic party. Yet some of Mr Hosokawa's strongest supporters, in his own Japan New party and in its ally, the New Harbinger party, share the Socialists' doubts about the style, if not the content, of the tax proposal.

Despite the seriousness of the row, there were no calls from the cabinet yesterday for Mr Hosokawa's resignation.

Kantor hopeful after Tokyo talks

By Michiyo Nakamoto in Tokyo and Nancy Dunne in Washington

Mr Mickey Kantor, US trade representative, yesterday ended his special mission in Tokyo, leaving with a promise by the Japanese government to redouble efforts to resolve the deadlocked trade negotiations.

In a statement issued on his departure from Tokyo, Mr Kantor predicted that the negotiations on ways of increasing foreign access to Japan's markets would be successfully concluded on February 11, during a summit between Mr Morihiro Hosokawa, prime minister, and President Bill Clinton.

Summing up the fruits of his visit, Mr Kantor said the prime minister, Mr Hosokawa, who met Mr Kantor on Thursday, has directed the government to redouble its efforts on the talks and that Mr Tsutomu Hata, foreign minister, would lead the negotiations.

Mr Kantor said Japan would send a high level delegation to Washington on Monday to continue trade talks, including the negotiation of "objective criteria" to measure import penetration of specific sectors.

Numerous US-Japanese trade agreements have failed to reduce the massive Japanese trade surplus, which last year hit about $59bn (£39.3bn) with the US. This time Washington is insisting that agreements include "benchmarks" to evaluate progress in achieving openings in insurance, cars and car parts, and government procurement of telecommunications and medical equipment.

Mr Kantor is also demanding that Japan eliminate all tariffs on copper, wood and white spirits.

US officials in Washington have been pessimistic about the talks. Mr Jeffrey Garten, the US commerce under-secretary, Thursday said the two sides "do not seem to have even a common understanding of the problem, let alone consensus on the solutions".

However, Mr Kantor said Tokyo had agreed to negotiate "qualitative and quantitative" criteria to measure the progress of sectoral agreements in opening markets.

Gatt report praises Australia

By Frances Williams in Geneva

Australia's programme of economic and trade reform yesterday won praise from trading partners as a model for others to follow.

A Gatt secretariat report on the country's trade policies and practices, says Australia has pressed ahead with far-reaching reforms despite recession and big balance of payments deficits.

Noting that Australia took a leading role in the Uruguay Round of global trade talks, through chairmanship of the Cairns Group of 14 farm exporting nations, the report nevertheless points out that the drive for reform has been essentially autonomous as the government has tried to correct the distorting effects of years of trade protection.

Tariffs have come down and and further reductions are planned, subsidies are being cut, and previously shielded areas of goods and services are being progressively opened to competition through deregulation and privatisation.

However, Gatt chides Australia for very high tariffs on some items such as cars (up to 30 per cent) and textiles, clothing and footwear (up to 47 per cent), and for higher tariffs on processed goods. Other criticisms concern Australia's frequent use of anti-dumping actions, which comprised one-third of all actions notified to Gatt in 1991-92.

Australian officials said tariffs on cars and textiles would be halved by 2000, and noted that the number of anti-dumping cases had fallen in 1993.

Radical change to monthly survey's method

US employment growth slowed by bad weather

By Jurek Martin in Washington

Bad weather reduced employment growth in the US last month to about a third of its recent levels, with only 62,000 jobs created against 190,000 in December, according to the Labour Department. However the unemployment rate rose nominally, because of the introduction of new survey methods.

Most hard hit were weather-sensitive industries – with construction, in the throes of a big expansion, adding only 3,000 jobs. The retail trade generally, tourism and restaurants also suffered as Americans were forced to stay at home.

The survey was taken in the week before the California earthquake and the vast ice and snow storms covering the eastern half of the country. Substantial rebounds are expected this month, weather permitting.

Manufacturing employment, up only 2,000 in December, rose by 26,000 in January, while the number of hours worked in factories remained high. Other recent economic indices have all pointed to continued strong economic growth, even if not to the point of the 5.9 per cent annual rise in gross national product achieved in the final quarter of last year.

The unemployment figures for January reflect the most radical revision in the monthly survey's methodology in its 50-year history. Focused on full-time employment, the old method under counted part-time workers, many of them women, but exaggerated "discouraged" workers, those who have given up looking for employment.

The new data collection is also based on the the 1990 national census, reflecting the large growth in the population of minorities with higher-than-average jobless rates, particularly Hispanics.

The result is that unemployment in January is now estimated at 6.7 per cent, down from 7 per cent in December, using the new method of calculation. Under the old method, December's rate was 6.4 per cent and January's would have been 6.3 per cent.

The department's broad conclusion is that last year's unemployment numbers would have been roughly 0.5 per cent a month higher had the new methodology been applied.

Buthelezi wants more concessions

By Patti Waldmeir in Johannesburg

Conservative Zulu chief Mangosuthu Buthelezi yesterday said the offer of a separate regional ballot, made to the right wing Freedom Alliance on Thursday, would not be enough to draw his Inkatha Freedom party into April's all-race elections.

"The double ballot by itself is quite meaningless if regions do not have the autonomy which cannot be interfered with by the constituent assembly," he said.

But he left the door open to further talks, saying the ballot compromise showed further concessions were possible. The ANC had previously insisted it would never drop its insistence that voters should have only one vote, for both national and regional assemblies. Faced with the threat of violence from the right wing, the ANC dropped this insistence.

Thursday's offer to the Freedom Alliance was partly designed to call the bluff of Chief Buthelezi, who has recently implied the double ballot was the greatest obstacle to Inkatha participation.

The ANC has demanded the chief commit himself to negotiate flexibly, before making further offers. The Freedom Alliance, government and ANC are to meet again Monday.

One Alliance negotiator, Rowan Cronje of the Bophuthatswana homeland, yesterday suggested negotiations could go beyond Saturday's deadline, the date by which parties must register for elections. If Alliance parties register provisionally on Saturday, they could gain a further 20 days for talks before candidates' nominations are due. But though some parties may choose this route, it is unlikely Chief Buthelezi will do so.

Police raid home of coalition MP

By Paul Abrahams in Tokyo

Public prosecutors yesterday raided the home and offices of Mr Tadao Otani, a diet member belonging to the Japan Renewal party, the second largest grouping in the government coalition.

The raids represent an important development in the continuing drive against political corruption. Until now investigators have focused on local politicians and the business community. If Mr Otani is indicted, he would be the first diet member to be implicated during the current anti-corruption effort.

Separately, 23 private individuals filed a complaint with the public prosecutors against Mr Ichiro Ozawa, co-leader of the Japan Renewal party. They accused him of receiving illegal donations from construction companies worth Y5m (£30,000).

In November, Mr Ozawa admitted receiving millions of yen from a top construction company, but insisted the donations were not illegal.

Mr Otani's former chief secretary, Mr Susumu Ochiai, has already been charged for facilitating tax evasion. In January he admitted offering supporters receipts for political donations in excess of the amounts given. Under present electoral rules, individuals can receive tax breaks on donations of more than Y10,000 to political groups, and the 62 supporters were able to claim inflated amounts, worth Y52.5m.

Pre-paid card ousts New York's subway token

By Richard Tomkins in New York

It is the beginning of the end of an era for the 3.3m passengers who use New York's subway system each day.

For 40 years, one of the quirks of life in New York City has been the custom of carrying around a bulging pocket or purse full of the coin-size metal tokens that people need to buy before they can ride the subway.

The tokens, costing $1.25 (83p) each and valid for any length of journey, operate the turnstiles that let passengers through to the trains. Time-obsessed New Yorkers buy them in bulk to avoid having to queue at the token booths in the stations each time they want to ride.

Not, however, for much longer. Between now and 1997, the New York Transit Authority plans to steal a march on the world's other big subway systems by phasing out the tokens and phasing in the MetroCard, a thin plastic card which stores the value of pre-paid trips on a magnetic strip.

Passengers will be able to buy the pre-paid cards from token booths in any denomination up to $80. Each time they swipe them through a card reader at the turnstile, the turnstile will open, $1.25 will be deducted from the card, and the value remaining will be displayed. When the card is empty, it can be thrown away or recharged at a booth.

Although similar to systems in other big cities, the MetroCard is technologically more sophisticated because it allows payments to be deducted each time a transaction is made instead of allowing unlimited journeys over a period of time for a fixed cost.

This means it can be extended to a much wider range of uses than other types of card. In the short term, the New York Transit Authority plans to extend it to the buses and commuter railways it operates, but it also hopes it will eventually be used to pay ferry and taxi fares in New York, and tolls on roads and bridges.

Ultimately, Mr Peter Stangle, the transit authority chairman, wants to bring in a private sector business partner to develop the MetroCard into an all-purpose payment card for the region. One day, he believes, people will use it "to make phone calls, buy the paper, grab a coffee and a bagel, and even go get a bite at McDonald's".

Surprisingly, perhaps, normally sceptical New Yorkers seem ready to welcome the MetroCard. At Wall Street station in downtown Manhattan, where it came into operation experimentally last month, an FT straw poll of 12 subway travellers found none who regretted the passing of the tokens.

Most believed the best argument for the card was that it saved time, apparently calculating that the swiping movement at the turnstiles took a fraction of a second less than depositing a token and waiting for it to tumble through the mechanism.

"I think it's an excellent idea," said Mr Ross Rosado, a florist's assistant. "Quicker is better. This is New York."

Japan launches first rocket

Japan's much delayed H-2 rocket finally made its maiden voyage yesterday, delivering an unmanned prototype space shuttle into orbit, Reuter reports from Tokyo.

The H-2, plagued by technical problems which put back the programme some two years, was launched after two delays this week because of bad weather and a faulty air duct.

The successful launch opens up prospects for Japan to enter the lucrative commercial satellite-launching business.

Closures to cut coal workforce to 10,000

By Michael Smith and Chris Tighe

British Coal will employ fewer than 10,000 miners by the end of April after yesterday confirming the closure of four pits.

The 10,000 figure represents a 75 per cent cut from the 40,000 employed 15 months ago. The latest figure compares with more than 200,000 a decade ago and 1.1m at the industry's height in 1913.

The scale of the contraction is most marked in the north-east of England which, British Coal confirmed yesterday, is to lose its last deep mine, at Ellington in Northumberland.

Just before the first world war Northumberland and Durham had 224,000 miners in at least 300 mines. After Ellington closes in the next two weeks, the only coal digging will be done by 1,300 employed in opencast operations, most of them by contractors to British Coal.

Yesterday's closure announcements at Ellington and at Ollerton, Manton and Annesley, in Nottinghamshire, will lead to about 3,000 miners losing their jobs.

Another 400 jobs are going at Goldthorpe, South Yorkshire, the closure of which was announced earlier this week.

There will also be considerable casualties among the 770 employed at Maltby and Silverwood, in South Yorkshire, which British Coal announced this week are to merge.

At the start of this week British Coal employed 14,030 people at 22 mines as well as 6,540 non-industrial staff and 2,940 others. This will fall by at least 3,700 as a result of this week's closures and mergers, and there will be a significant number of voluntary severances at the 17 remaining working pits by the end of April.

An enhanced redundancy package is in place until the end of April.

The offer provides for payments of up to £37,000. The five pits earmarked for closure are due to be shut in the next two weeks.

Silverwood is likely to survive longer, but it is the junior partner in the merger with Maltby. When the merger goes ahead Silverwood will in effect be closed.

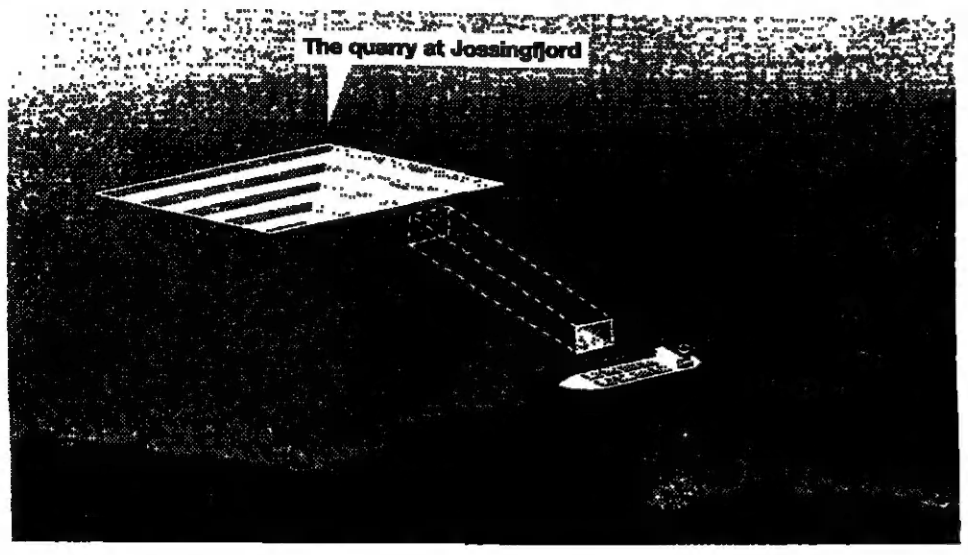
Five pits identified for closure in October 1992 are still open. They are Kiveton, Maltby and Prince of Wales in the Yorkshire region, Point of Ayr in north Wales and Bilsthorpe in Nottinghamshire.

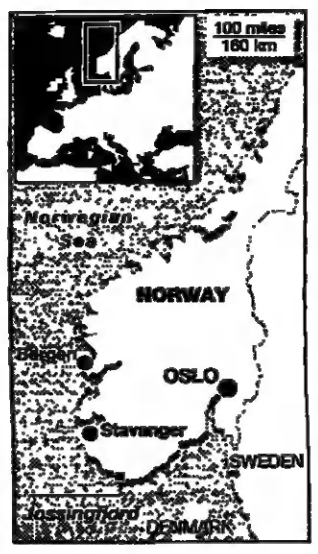
Maltby is not producing coal in large quantities but is likely to do so after the merger with Silverwood.

● Cory Coal, a marketing, preparation and distribution company, has joined a consortium formed by the Union of Democratic Mineworkers and Jim Walter Resources, a US mining concern, to bid for assets of British Coal.

Tarmac aims to dig deep in Norway

By Andrew Taylor, Construction Correspondent





A large chunk of the rocky Norwegian coastline could shortly be finding its way into British motorways, hospitals, offices and homes.

Tarmac, the UK contractor and building materials group, has acquired the right to buy and develop one of Europe's biggest quarries at Joffingfjord, which is 70 miles south of Stavanger.

Yesterday the company announced that it had received a NKr10m (about £1m) grant from the Norwegian Development Bank (SND) to help pay for geological studies and the preparation of detailed plans. Up to 40 per cent of the high-grade igneous anorthosite could be exported to the UK by the late 1990s for use in construction projects.

The quarry scheme, including a deep-water harbour in the nearby fjord, is expected to cost up to NKr750m. Tarmac has agreed to hide the quarry by scooping out the inside of the hill leaving its sides intact.

The anorthosite will be crushed and transported on conveyor belts along a 1,000-yard tunnel through the wall of the hill to the dock, which will be capable of handling ships of up to 70,000 tons.

Mr Peter Rothwell, commercial director of Tarmac Quarry Products, said: "This is a very beautiful coastline and we want to do nothing to spoil it.

"These are the most comprehensive environmental protection safeguards we have had to meet."

Tarmac has preliminary planning permission for the development, which it initially expects to produce about 5m tons a year.

The company produces about 40m tons of aggregate annually in the UK out of a total British output of 230m tons.

The plan to develop a Norwegian quarry comes as the UK government is considering restricting planning permission for quarrying to protect the environment.

A consultation paper published by the Department of the Environment last year proposed that local authorities base future planning permission on providing 80 per cent of demand from local quarries, with the shortfall made up by imports and recycling.

Yet ministers are concerned that the new planning guidelines, which are due to be published shortly, should not impede recovery in the construction market.

Finance package rescues Scots pit

By James Buxton, Scottish Correspondent

Monktonhall Mineworkers, the consortium operating a deep mine leased from British Coal, has been rescued by Waverley Mining Finance, a quoted mining finance house. Waverley has organised a financial restructuring involving funds worth £7m.

The package should enable the mine to become profitable, and will allow a second face to be opened at Monktonhall, near Edinburgh. The mine has had financial difficulties since it began production under the miners' consortium in early 1993, after being closed by British Coal in 1987.

Waverley is understood to be taking 49 per cent of Monktonhall Mineworkers by injecting about £300,000 of new equity and providing about £1m in loans.

Waverley, on behalf of Monktonhall, has negotiated a subsidy of £1.8m from the Department of Trade and Industry, while Lothian region is to provide a grant of £230,000.

Bank of Scotland is believed to be writing off a substantial part of the company's £1.8m debt and making available £400,000 of leasing finance through its subsidiary Kellock. Trade creditors have agreed to the restructuring.

Mr Willie McLucas, investment manager of Waverley, said the funding would meet the need for £2m of equipment, £3m of short-term debt, £1m to fund losses before the new production from the second face and £1m of working capital.

The deal is to be formally approved by shareholders next week. In November the miners rejected a bid for 100 per cent of the company from RJB Mining, in spite of the likelihood of bankruptcy without a rescue.

Mr McLucas is thought to have established a rapport with the miners which should allow the deal to go ahead. He said: "The mood of optimism and the confidence that together we have created an exciting enterprise is most encouraging."

Airport price row goes to Brussels

Luton Airport yesterday took to the European Commission its complaint that BAA, formerly the British Airports Authority, was pursuing anti-competitive pricing policies at rival London airport Stansted, Rachel Johnson writes.

"As a result of Stansted's pricing policy Luton has suffered and continues to suffer material harm," said London Luton Airport, which is owned by the local authority.

BAA owns all airports in the London area apart from Luton, and handles 97 per cent of all passengers. Luton says Stansted's charges to airlines and tour operators are substantially lower than those of its competitor.

BAA yesterday countered that the Civil Aviation Authority had already declined to take action against Stansted after holding a recent inquiry into the complaint, even though it agreed that its pricing policy was below cost.

Scottish steel company fails

Clydeshaw, Scotland's last commodity steelmaker, based at Craigneuk, near Motherwell, Lanarkshire, went into receivership yesterday.

The company, which made large steel castings and ingots, had a £12m annual turnover. The receivers, accountants Ernst & Young, said debts amounted to about £7m.

Engineering group sheds 215 jobs

Glynwed International, the engineering group, is making 215 people redundant at Wednesbury Tube, its copper pipe making subsidiary at Bilston, West Midlands.

The redundancies follow the 1992 decision to merge two plants and to invest in production equipment.

Energy bill passes second reading

The energy conservation bill, introduced by Mr Alan Beith, deputy leader of the Liberal Democrats, was given an unopposed second reading in the Commons yesterday.

Mr Tony Baldry, junior environment minister, underlined the government's concern that unchanged the bill might result in an unnecessary financial burden on local authorities and central government.

Safety fears halt cancer research

By Clive Cookson, Science Editor

Government inspectors have acted for the first time to stop genetic engineering research for safety reasons.

The Health and Safety Executive has served "prohibition" and "improvement" notices on Birmingham University's Department of Cancer Studies where researchers were using viruses to carry cancer-causing genes – known as oncogenes – into human cell cultures.

The inspectors told them to stop work because they had not done enough to contain the genetically engineered virus in the laboratory. There was theoretically a remote risk that it could escape and infect lab workers or the public.

In the words of the prohibition notice, "sufficient assessments of the risks of this work to human health and the environment have not been carried out, so causing uncertainty as to whether the correct level of containment has been adopted".

Professor David Westbury, vice-principal of Birmingham University, said the project – part of a large programme funded by the Cancer Research Campaign – was suspended as soon as the notices were issued. "Some initial work had started but it was only for a couple of weeks," Prof Westbury said.

The cancer researchers are now working out tighter containment precautions in consultation with the university's safety staff and HSE inspectors. For example it is planned that the viral oncogene project will have its own secure room instead of sharing space with other cancer research.

By an unfortunate coincidence, Birmingham University was the site of the world's last smallpox case – in 1978 – when smallpox virus escaped from a different laboratory and killed a research worker.

Prof Westbury stressed that there was no link between that incident and the inspectors' action. "Circumstances were entirely different then," he said.

Terrorist broadcasting ban to be maintained

By Roland Rudd

The restrictions on broadcasting the voices of terrorists or their supporters in Northern Ireland are to remain in place in spite of reservations in the Northern Ireland Office.

The government said yesterday that the National Heritage department had decided to continue with the ban which came into force on October 19 1988.

Sinn Féin, the political wing of the IRA, is the only legal political organisation affected by the ban.

Whitehall officials said the Northern Ireland Office had questioned the effectiveness of a ban which allows actors to speak the words of Sinn Féin representatives over pictures of them speaking.

Lifting the restriction would have caused an outcry from Ulster unionists and rightwing Conservatives. The Thatcherite Conservative Way Forward yesterday launched its own policy for Ulster calling for preventive detention north and south of the border with an appeal system.

The group warned: "The worst thing now would be for policy in Northern Ireland to drift on aimlessly in the forlorn hope that the terrorists will change their minds."

Sir Patrick Mayhew, Northern Ireland secretary, renewed his appeal to Sinn Féin to join the other political parties in talks which could involve a "significant" transfer of power to Northern Ireland.

Sir Patrick repeated the British view that the UK-Irish joint declaration, which was intended to stand the test of time, could not be renegotiated, as, he said, was now the intention of Mr Gerry Adams, Sinn Féin leader.

He said: "That was the message we sent to them last year. It is repeated unequivocally in the joint declaration. The governments have set out where they stand. The challenge is for Sinn Féin – themselves alone."

Majority of Names may accept offer by Lloyd's

By Richard Lapper

Lloyd's could still win majority acceptance from lossmaking Names for its £900m out-of-court settlement offer, the Association of Lloyd's Members said yesterday.

The association, which represents about half of the market's 18,000 Names – the individuals whose assets back the market – said informal polls of its members had shown a two-to-one majority in favour of the settlement.

"Names should not assume from press reports that the offer is bound to fail," said Mr Neil Shaw, chairman of the association. "If Names wish to accept Lloyd's offer, it is vital for them to act to protect their own interests."

Recent meetings of action groups have indicated that many of the heaviest lossmaking Names intend to reject the deal and that Lloyd's would not get the 70 per cent majority – by value of the offer – needed for its acceptance.

Mr Shaw said: "There is a significant number of Names for whom acceptance of the offer would not be appropriate, but also that there is an equally significant number for whom acceptance would be in their best interest."

He said that it was not necessary for Names to resign from their action groups if they accepted the offer. If the offer fails, Names' acceptances will be void and they will be free to pursue their litigation rights.

The statement drew an angry response from Mr Michael Deeny, chairman of the Gooda Walker Names Action group – the biggest of more than a dozen action groups – whose case is due to come to court in April. "The truth is, the offer is dead. Every single action group actively engaged in litigation has voted to reject the offer by an overwhelming majority," Mr Deeny said.

Lloyd's will announce the number of acceptances for the offer on February 14.

Malaysian affair begins to trouble the government

The £234m Pergau dam controversy may have disturbing parallels with the arms-for-Iraq case, report Robert Peston and Jimmy Burns

Mahathir Mohamad, Malaysian PM (left), and George Younger, former British defence secretary

"Great Britain plc has come out of all this very well," Lord Younger, the former defence minister, said this week. He was commenting on the controversial events which led to a £1bn arms deal between the UK and Malaysia in the late 1980s.

British companies may have benefited, but allegations about the deal are troubling the government. Two Commons committees are investigating whether the arms package was secured as a direct consequence of the promise of substantial aid to Malaysia.

In October a National Audit Office report criticised the government's commitment to provide £234m to a Malaysian hydro-electric dam project – the most ever provided for a single scheme under the Overseas Development Administration's Aid and Trade Provision.

In a parallel with the arms-for-Iraq affair, the question is whether the government breached its own guidelines or the law in securing the 1988 arms deal.

Another allegation has emerged in the past week that the government suppressed evidence in a criminal case against a Malaysian banker to prevent embarrassment to the Malaysian government.

This case also echoes the arms-for-Iraq affair. It involves Mr Lorrain Osman, former head of the Hong Kong operations of Bank Bumiputra, the Malaysian state-owned bank. In a 1990 High Court appeal by Mr Osman against moves to have him extradited to Hong Kong, the Foreign Office applied for public interest immunity certificates to prevent disclosure of government documents in the case.

This was the first time the government had used such certificates to prevent disclosure of information in a criminal case. It was the direct precedent for its failed attempt to use them to prevent disclosure of ministers' knowledge of arms sales to Iraq in the Matrix Churchill case in 1992.

In the Osman case the certificates were allegedly used to withhold evidence of a supposed cover-up of the involvement of senior Malaysian politicians, including Dr Mahathir Mohamad, the prime minister, in lending by the bank to the failed Carrian Corporation. The allegations were made under parliamentary privilege by Mr Robert Parry, Labour MP for Liverpool Riverside.

The Foreign Office is still refusing to disclose the contents of the documents withheld. If they say what Mr Parry alleges, they would have been unwelcome news for Baroness Thatcher, the former prime minister, who had developed a close relationship with Dr Mahathir.

In 1989 she said: "I hope that I am not presuming in describing him as a friend, whose counsel I have found invaluable, as well as a very skilful and tough negotiator for Malaysia's interests."

They took the leading roles in the negotiations on the £1bn arms deal. Lady Thatcher, ever the champion of the UK defence industry, wanted to persuade Dr Mahathir to end his "Buy British Last" trade policy, introduced at the beginning of the decade as a reprisal against withdrawal of concessions on fees paid by Malaysian students in British universities.

She succeeded in March 1988 when a protocol for a substantial defence contract was agreed. According to Mr Douglas Hurd, the foreign secretary, this contained a reference to "aid in support of non-military aspects under this programme".

Lord Younger, who signed the protocol, said this week the aid reference was included in error. He said that he did not notice the reference at the time.

The Foreign Office, which was "totally clear all along that there could be no link", pointed out the mistake to him soon afterwards. Lord Younger wrote to the Malaysian government saying there could be no link between arms and aid.

Negotiations were continued by Lady Thatcher personally when she went to Kuala Lumpur in September 1988. In a meeting with Dr Mahathir from which all officials were excluded, a memorandum of understanding on £1bn of British arms sales was agreed.

The following month, the development administration received a strong recommendation from the Department of Trade and Industry that Malaysia's Pergau dam scheme should be regarded as a strong candidate for Aid and Trade Provision cash support. The DTI has a formal role in recommending schemes for such support, but the final decision is supposed to be taken by the ODA.

The Pergau scheme was expensive and rapidly became even more costly. A contract estimate of £316m in January 1989 by Trafalgar House and BICC, the UK companies which would build the dam, was increased to £397m on March 31.

At about this time, Mr Mahathir was visiting London. Lord Younger met him in his hotel room, but he said there was no discussion of aid.

In April 1989, the UK government made a formal aid grant offer to Malaysia. The final offer was not made or accepted by the Malaysians until 1991, when the cost of the scheme had reached £417m, including a British contribution of £234m.

The magnitude of the British subsidy was unusual. There was also a breach of normal Whitehall procedures in that the offer was made against the advice of Sir Timothy Lankester, then permanent secretary at the administration, and of Baroness Chalker, the overseas development minister, who regarded the scheme as uneconomic and a bad use of scarce resources.

Businessmen and officials admit privately that there was an informal link between the offer of aid to Malaysia and the winning of civil and military contracts for British companies. One businessman closely involved in UK-Malaysian trade relations said: "You and I know that there is a connection between winning arms sales in Malaysia and offers of aid – but the question is whether anyone was stupid enough to leave explicit evidence."

In ethical terms, that link may be wrong, "but you don't win contracts against competition from the French and the Americans if you take ethics too seriously".

The British government is not discussing the affair in terms of ethics, but in terms of the law. Ministers and Whitehall officials insist there is no legislation banning ministers from offering aid in return for defence business.

The central piece of foreign aid legislation, the 1980 Overseas Development and Co-operation Act, does not cover the subject of military assistance.

But if there was no breach of the law, there may have been a contravention of official Aid and Trade Provision guidelines, described by one official as the administration's "bible". Its commandments include: "The aid programme may not be used to procure equipment of a military nature or for a military use."

Sales of new homes continue to recover

By Andrew Taylor, Maggie Urry and Alison Smith

The recovery in sales of new houses which began last year is being sustained, confidential figures from housebuilders indicate.

Sales of new houses increased during January, according to figures compiled from 27 housebuilders.

The statistics, collected by the House Builders Federation, show net reservations – agreed sales on which a 10 per cent deposit has been paid, less cancellations – rose by 4¼ per cent compared with the first four weeks of 1993.

The increase in the number of visitors to housing development sites was even more encouraging – more than 9 per cent over the same period last year.

The rises indicate that the recovery in sales of new houses has been sustained in spite of concern about the impact of forthcoming tax increases on buyers' confidence.

Mr Dennis Webb, managing director of Beazer Homes, Britain's fourth-largest housebuilder, said: "We have had a very good start to the year in terms of agreed sales and visitors. More importantly, the recovery is being maintained."

Mr Webb said that since October Beazer's net reservations had risen by 30 per cent compared with the same period a year earlier. "Even if you discount the fact that we are selling from more sites, the underlying increase is about 20 per cent," he added.

The 27 companies, mostly large national and regional organisations, build about 40 per cent of new homes, which account for about a tenth of all house transactions. Sales of new houses are estimated by builders to have risen by 15 per cent to 20 per cent last year compared with an increase of about 5 per cent for all homes.

The figures come against a background of mixed signals from other sources about the future of the housing market.

Gross and net mortgage lending rose slightly in December compared with November, according to figures released yesterday by the Bank of England. The figures cover banks, building societies and centralised lenders.

The seasonally adjusted results suggested that societies had regained some market share from the banks after months of tough competition.

During the fourth quarter of last year, societies had net lending of £2.8bn, while banks' net lending amounted to £2.6bn. In the third quarter, banks had lent more than societies, with figures of £3bn and £2.3bn respectively.

Overall, net lending stood at £1.8bn in December, against £1.7bn the previous month, while gross lending increased to £4.8bn. But mortgage loan approvals – a forward-looking indicator of the state of the market – fell in number and volume on both raw figures and seasonally adjusted data.

A further note of caution came from research carried out for Roof Briefing, the housing magazine. This suggested that prospects of a national housing market recovery would falter because markets in areas such as London and the south-east would remain "in the doldrums" for the next 18 months.

First Europe, a consultancy firm specialising in the property sector, drew on six sets of market factors in reaching its conclusions that only parts of the Yorkshire region, the north-east and Wales were likely to pick up significantly.

Alastair Muir

John Savident (second right) and other actors continued to rehearse Maxwell: The Musical yesterday in spite of Monday's planned court hearing at which Sir Nicholas Lyell QC, attorney-general, will try to have the show stopped. He fears the musical about the life of the tycoon Robert Maxwell will prejudice the criminal trial of those charged with fraud over the collapse of the Maxwell empire

Customs chokes on liquid definition

By Andrew Jack

The Value Added Tax Tribunal has made the first legal definition of a beverage in blocking an attempt by HM Customs & Excise to claim VAT on a dietary product.

Customs conceded in a statement issued yesterday that the meaning of a beverage in ordinary usage covers "drinks or liquors that are commonly consumed".

The announcement followed a decision by the tribunal that "liquids that are commonly consumed are those that are characteristically taken to increase bodily liquid levels, to slake the thirst, to fortify or give pleasure".

The case was triggered by an appeal by Bioconcepts, a company based in Havant, which manufactures Bio-Light, an opaque brown fluid designed primarily for slimmers.

Customs zero-rated the product when the company began importing it in 1990, then changed its mind. It caved in when Bioconcepts appealed, then again made a VAT demand which the company said would have cost it more than £100,000.

Customs argued that Bio-Light was a manufactured beverage, which would make it liable for VAT at the standard rate of 17.5 per cent, rather than the zero rate applied to foods.

Bioconcepts took its case to the VAT tribunal, stressing that Bio-Light was a liquid food and adding that it was rated as such in other European countries.

The tribunal found in favour of Bioconcepts, arguing that Bio-Light would not be consumed for pleasure.

Customs said the growing number of health- and sports-related products which could be taken as a drink with food were making it increasingly difficult to assess their liability for tax.

It said it had also lost a previous case, in which the tribunal found that a liquid sold for body-builders was also a food.

Redwood tightens grip on quangos

By Roland Adburgham, Wales and West Correspondent

Mr John Redwood, Welsh secretary, is tightening control of Welsh quangos to improve their accountability in the wake of a series of scandals.

These culminated this week in a fraud squad investigation of the foreign expenses claimed by Professor John Catford, who resigned on Wednesday as director of Health Promotion Wales. Prof Catford denies any misuse of public funds.

Mr Redwood said yesterday that he was "very upset" by the scandals. He added: "The people of Wales expect us to show we have been honest in exposing what has gone on and have taken the right action to deal with it. That's what I intend to do."

The biggest spending agencies, such as the Welsh Development Agency, will now have annual meetings with Mr Redwood to review performance and set targets. Other big agencies, such as the Development Board for Rural Wales, will report to Sir Wyn Roberts, Welsh minister.

Both the WDA and DBRW have been heavily criticised by the National Audit Office and the Commons public accounts committee.

Other executive agencies will report to Mr Gwilym Jones, parliamentary under-secretary.

Mr Redwood said the review meetings would provide "a sharper focus" to agency policy requirements and targets. "I've asked officials to work up the kind of targets and requirements we intend to impose on each body and I've started talking to the major bodies about it," he said.

Mr Michael Scholar, Welsh Office permanent secretary, will take responsibility for ensuring that chief executives are following agreed procedures.

Mr Redwood said he intended to set a climate in which people understood that compliance with regulations and probity came first. "They also have to understand that, if a mistake is made or something worse happens, appropriate action will be taken."

Mr Ron Davies, Labour's shadow Welsh secretary, yesterday called on Mr Redwood to resign. "He has been unable to curb the excesses of quangos in Wales," he said.

Wave of dirty water, Page 7

Counties link up to attract investment

By Roland Adburgham

Five counties in south-west England yesterday launched a partnership to promote inward investment to the region.

The West of England Partnership is expected to win seed funding from the government's Invest in Britain Bureau.

It will represent Avon, Dorset, Gloucestershire, Somerset and Wiltshire.

Mr William Waldegrave, the public services minister and MP for Bristol West, said at the launch that the five counties were the only part of the country outside London and the south-east to lack a regional development organisation. With the growing importance of regional identity in Europe, it was an "extraordinary gap", he said.

The partnership, to be chaired by Sir Michael Lickiss, chairman of Somerset Economic Partnership, is supported by county and district councils, training and enterprise councils and existing county-wide economic forums.

Labour attacks Tory 'sleaze'

By Kevin Brown and James Blitz

Labour yesterday launched its campaign for the European and local elections with an attack on "Tory sleaze".

Launching the campaign at a local government conference in Glasgow, Mrs Margaret Beckett, Labour deputy leader, said the elections would be a nationwide referendum on the government, which was "disintegrating in a spectacle of frenzied infighting".

Activists were warned that the Tories would "fight dirty" in the elections, which take place in May and June.

Government strategists fear that Labour's lead of nearly 20 points in the latest opinion polls points to a massive loss of support in both elections.

However, officials on both sides are warning that the number of seats that change hands may be small because of the poor Tory performance in the last round of elections.

Mr Jack Straw, manager of Labour's local elections campaign, yesterday made clear that the party would focus on the Conservatives' fitness to govern.

"This is a government which is finding it almost impossible to distinguish between private and party gain on the one hand, and the public interest on the other," he said.

Government ministers will this weekend reinforce Mr John Major's rallying call for unity, made to backbench Tories on Thursday night. They will also issue a co-ordinated attack on Labour's European policy.

However, one rightwing MP made it clear that his wing of the party would continue to speak out on issues that concerned it. Mr Edward Leigh, MP for Gainsborough and Horncastle, said: "If we believe we are spending too much or taxing too much or appeasing the IRA too much, we are entitled to say these things."

Mr Michael Howard, home secretary, last night told Conservatives in Crewe that a lack of discipline was the reason the party was not getting broad public support.

"It is time to forget about factions... it's time to turn our fire on to the Labour party whose policies could so damage the country," he said.

Mr Howard is expected to offer Mr Major emphatic support when he addresses the Young Conservative conference in Southport today. Mr Norman Fowler, the party chairman, who will also address the conference, is expected to do the same.

● An opinion poll today in The Herald, the Glasgow newspaper, shows Labour support in Scotland unchanged from last month at 47 per cent. The Scottish National party is on 22 per cent (1 point down); the Tories are on 16 per cent (1 point up); and Liberal Democrats unchanged at 14 per cent.

Carmakers surprised by 20% jump in registrations

By Kevin Done, Motor Industry Correspondent

Registrations of new cars in Britain jumped by 20 per cent year-on-year in January as the recovery in demand grew ahead of industry forecasts.

Registrations totalled 198,525 compared with 164,939 in the same month a year ago, according to figures released by the Society of Motor Manufacturers and Traders.

Sales last month were the highest for January since 1990 but were still below the record level of 220,000 reached in January 1989.

Sales of new cars rose 11.6 per cent last year to 1.78m, ending three years of recession. Most industry forecasts suggest a further rise of between 5 per cent and 6 per cent in the whole of 1994.

Demand remains weak in the commercial-vehicle sector, where registrations in January rose year-on-year by only 1.3 per cent to 17,642, chiefly under the impact of depressed light-van sales.

Sales of commercial vehicles fell overall last year by 2.1 per cent to 197,067, the fourth successive annual decline, although a significant recovery is under way in the truck sector.

In the car market, Ford and Vauxhall, the market leaders, both started the year strongly, and Citroën, Nissan and Mercedes-Benz also outperformed the market.

The planned takeover of Rover by BMW will push the German carmaker into third place in the UK car market. In January the combined forces of the two groups captured 15 per cent of UK new-car sales compared with 16 per cent a year earlier.

Citroën achieved its highest ever monthly share at 6.6 per cent. As a single marque it moved into fourth place in the UK market for the first time behind Ford, Vauxhall and Rover but ahead of Peugeot, traditionally the dominant make in the PSA Peugeot Citroën group of France.

The fortunes of Mercedes-Benz of Germany have been boosted by the launch in the second half of last year of its C-class executive car. Its total sales were 48 per cent higher than in the same month a year ago.

Several Japanese carmakers, notably Toyota, Mitsubishi and Mazda, lost ground heavily last month, and all suffered steep declines in sales volumes in spite of the strong growth in the overall market.

● Vauxhall, General Motors' UK subsidiary, is putting up most of its car and light commercial-vehicle prices from midnight tomorrow by an average of 2.3 per cent.

The prices of its Cavalier and Carlton models are being held until March 6 in order "to allow company car drivers to minimise their tax liability".

UK NEW CAR REGISTRATIONS
January 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan 94	Share (%) Jan 93
TOTAL MARKET	198,525	+20.4	100.0	100.0
UK-produced	89,980	+20.9	45.3	45.1
Imports	108,545	+19.9	54.7	54.9
Japanese makes	20,399	+10.4	10.3	11.2
MANUFACTURERS:				
Ford group	49,322	+35.4	24.8	22.1
– Ford	48,520	+35.8	24.4	21.7
– Jaguar	802	+14.9	0.4	0.4
General Motors	36,574	+27.6	18.4	17.4
– Vauxhall	35,664	+28.9	18.0	16.8
– Saab*	910	–7.6	0.5	0.6
BMW group#	29,745	+12.3	15.0	16.0
– Rover**	24,876	+10.7	12.5	13.6
– BMW	4,869	+20.8	2.5	2.4
Peugeot group	25,771	+7.0	13.0	14.6
– Peugeot	12,652	–6.7	6.4	8.2
– Citroen	13,119	+24.7	6.6	6.4
Renault†	10,761	+20.2	5.4	5.4
Volkswagen group	10,733	+19.5	5.4	5.5
– Volkswagen	6,989	+13.9	3.5	3.7
– Audi	1,956	–7.0	1.0	1.3
– SEAT	875	+52.2	0.4	0.4
– Skoda††	913	+433.9	0.5	0.1
Nissan	9,758	+50.3	4.9	3.9
Fiat group	3,982	+16.0	2.0	2.1
– Fiat	3,813	+19.2	1.9	1.9
– Alfa Romeo	134	–24.3	0.1	0.1
– Lancia	35	–38.6	0.0	0.0
Mercedes-Benz	3,797	+47.6	1.9	1.6
Toyota	3,776	–8.5	1.9	2.5
Volvo†	3,611	–8.4	1.8	2.4
Honda#	2,375	+10.3	1.2	1.3
Mazda	1,480	–35.0	0.8	1.4

*GM holds 50% of Saab Automobil and has management control.
#BMW is buying an 80 per cent stake in Rover vehicle operations. Honda holds remaining 20 per cent.
**Includes Range Rover and Discovery.
†Renault and Volvo are linked through minority cross-shareholdings.
††VW holds 31% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders.

Consumer group in window deal row

By Peggy Hollinger

A consumers group linked to two men facing directors' disqualification proceedings has become embroiled in a controversy over a collapsed window installation company.

Guardian Windows, a Hampshire-based company, went into liquidation this week owing an estimated £6m to 6,000 creditors.

Mr Ivor Gershfield – general manager of the consumer group The Householders Association – and his son Aaron, who was a director of THA, are facing court action on Monday following the launch of disqualification proceedings by the Department of Trade and Industry in December.

The DTI action arises from the Gershfields' involvement with City & Westminster, the finance house which collapsed in 1991. The action is taken under Section 6 of the Directors Disqualification Act, which penalises directors for unfit conduct or serving on the boards of insolvent companies.

THA had provided bonded guarantees to thousands of customers of Guardian Windows, which ran an unusual promotional scheme to increase sales.

More than 1,300 angry creditors attended a meeting this week, called by insolvency firm Fanshawe Lofts. They attacked THA for accepting subscriptions to their bonded guarantee scheme when the plan did not cover promotional contracts.

Guardian customers signed promotional contracts which provided a number of windows for a deposit of £1,299. The company waived payments after the deposit for the purchase of windows up to £4,000.

If the customer introduced a second contract to Guardian – an average-sized house needed at least two contracts to replace all the windows – the deposit would be refunded.

Guardian collapsed with at least 1,500 contracts outstanding. THA has offered to install the windows for the difference between £1,299 and £4,000, even though that would not have originally been paid. The deposits are not covered under the scheme after three months.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday February 5 1994

A tale of two mice

In his speech to the annual banquet of the Bankers Club at London's Guildhall on Tuesday, Federal Reserve chairman Mr Alan Greenspan warned that disturbances in one country were all too rapidly transmitted through the world economy in today's global markets. His remarks were made in the context of the risks inherent in the growing trade in derivative instruments, which were subsequently credited with pushing the FT-SE 100 index to a record high on Wednesday. But the point applies with equal force to the cash markets; and it sounded uncomfortably relevant after yesterday's news of a tightening in US monetary policy.

A change in the direction of monetary policy is more often than not an indicator of a market turning point. The conventional wisdom about the overblown condition of equity and bond markets worldwide has been that, once US interest rates rise, funds are likely to flow out of Europe and the Far East back to the US. This would be a natural response to a change in yield differentials and any tendency for the dollar to strengthen. Yet the bigger worry has always concerned the impact of higher US interest rates on small investors, especially the elderly, who have been taking money out of bank deposits and putting them into mutual funds without appreciating how far they are exposing themselves to market risk.

Much of the buoyancy of bond and share prices outside the US has stemmed from American portfolio diversification; part of it reflects a significant spillover from the mutual fund bubble. If the unsophisticated folk panic when they discover that their capital is suddenly being eroded by falling share and bond prices, money could pour out of foreign as well as domestic markets back into the US banking system – or so the argument runs.

Considerable pressure

Yet all that has been mooted so far is a small increase in short-term money market rates. That falls short of the kind of grinding gear change that brings about a crash, or even a sharp correction. And as Sushil Wadhwani and Mushtaq Shah of Goldman Sachs point out in a well-timed circular, past evidence suggests that individual investors are anyway slow to react to changes in interest rates, especially when the increases are not large. Mr Greenspan, who is under considerable pressure from both Congress and the administration not to brake too hard, appears not only to have produced a mouse, but a politically correct mouse at that. Even the smallest and friendliest of rodents have been known to frighten elderly widows. But there is no real case here for panic.

Mr Greenspan's move is undeniably justified by the strength of the US recovery and the near certainty that the gap between actual and potential output will disappear this year, giving rise to inflationary pressure.

A more difficult question is whether his UK counterpart, Mr Eddie George, has been right to hold back from a further fall in British interest rates. In real terms, UK rates are much higher than US rates were at the comparable stage of economic recovery. Yet fiscal policy is about to tighten abruptly in April. Sterling has been strengthening against the D-Mark and the economies of Britain's main trading partners in Europe remain depressed.

Sustained growth

On Tuesday Mr George offered plenty of optimism, arguing that the prospects for sustained growth in output and gradually falling unemployment were better than at any time in his professional career. This he based on the central bankerly conviction that low inflation and growth go hand in hand. Yet he did not promise an interest rate cut, despite the favourable inflationary backdrop.

There is no shortage of indicators that point to accelerating recovery, ranging from falling unemployment to December's soaring car sales. Yet many of the indicators turn out to be less substantial than they seem – witness yesterday's bank lending figures. These showed the largest quarterly increase for three years, at £5.4bn.

Yet on closer examination the greater part of that increase came from the rise in lending to the financial sector, with growth in lending to the securities industry at a remarkable £3.6bn being the largest single component. So the figures have more to do with a bubbling stock market than a booming economy. Moreover, corporate results, such as the recent poor figures from that one-time wonder J. Sainsbury, continue to fall short of expectations. And there is no shortage of anecdotal evidence that the pre-Christmas retail boomlet has more or less petered out.

The British economic recovery has so far appeared to follow the pattern charted by the US. But there is one very striking difference in store, which is that the April fiscal crunch in the UK is infinitely tighter than anything proposed by the Clinton administration. The risk is that in seeking to establish his anti-inflationary credentials in an economy that that may prove to be less robust than he thinks, Mr George could find himself presiding over a mouse of a recovery.

Paul Betts and **Tony Jackson** ask whether BAe's strategy of returning to its roots will reap long-term rewards

Defence may be the best attack

On the face of it, this has been a brilliant week for British Aerospace. On Monday morning, it announced the £800m sale of Rover to BMW. Since then, its shares have risen 30 per cent, adding more than £500m to its market value. With one bold stroke, BAe has returned to its roots: not merely as an aircraft manufacturer, but – more important – as one of the UK's main defence contractors.

There are two snags. First, the defence industry – in Europe especially – is becoming ever more viciously competitive. Second, success in defence requires financial clout: that is, a strong balance sheet. As part of the Rover deal, BAe wrote off £450m. Yesterday it wrote off another £250m on its turboprop aircraft business. In the course of a single week, its balance sheet has shrunk by more than a third.

Despite the cash BAe is getting on the Rover deal, it may not have the resources to develop its defence business alone. The obvious answer, as BAe chief executive Mr Dick Evans told the Financial Times this week, is for BAe ultimately to combine in some way with the UK's other big defence contractor, Lord Weinstock's cash-rich GEC.

The scale of the challenge in defence is simply put. Since the end of the cold war, the US has adopted a more liberal attitude to military sales. As a result, its share of the world's defence exports has doubled. From an average of about $6bn a year before 1989, the figure is now $15bn. On the other side of the coin, European defence exports have halved from $10bn-$12bn a year before the Berlin Wall came down to $4bn-$5bn today.

In addition, one of BAe's most prized customers shows signs of losing interest. BAe has enjoyed a long and lucrative relationship with Saudi Arabia. Last year alone, it sold the kingdom Tornado aircraft worth £2bn. There are now signs that military exports to the Middle East have peaked, at least for the next three or four years, thus forcing BAe and other competing contractors to seek new markets in the Far East.

For the company's top management, led by Mr Evans, the picture looks rather different. On their version of events, it has been a long, hard slog from the brink of the precipice. For the past two years, amid continuing internal tensions, Mr Evans and his team have fulfilled step by step the recovery strategy broadly set out by the company after the forced resignation two years ago of Professor Sir Roland Smith, BAe's controversial chairman.

This has involved sweeping restructuring in both the defence and commercial sides of the company's aerospace activities, with more than 25,000 job losses and the closure of three historic plants: Kingston, Hatfield and Preston. So-called non-core businesses have been shed to raise cash and cancel debt.

Now it has unshackled itself of its automobile operations. "Some while ago it was already pretty clear to us that it would have been difficult to support both the aerospace and car side of our businesses in the second half of the decade," explains Mr Evans. "We decided to exit the car business towards the end of the decade but then we were made a remarkable, unconditional offer from BMW."

So far, so good. But where do the events of the past few days leave the company which once harboured the ambition of combining with Daimler-Benz of Germany to create, in Sir Roland's words, "the General Motors of Europe"?

At the time of BAe's Rover acquisition in 1988, it was fashionable for large automobile companies to diversify into aerospace. GM bought Hughes; Ford invested heavily in aerospace; Daimler-Benz took charge of the restructuring of the German aerospace industry by creating a subsidiary called Deutsche Aerospace.

For BAe, the logic of buying Rover was not so much industrial as financial. The acquisition virtually doubled the company's asset base overnight. With shareholders' funds increasing from £1.1bn in 1987 to £2.2bn the following year and annual sales jumping from £4.1bn to about £9bn, BAe significantly reinforced its financial firepower to support its defence exports.

The military side, where exports account for more than 70 per cent of sales, has traditionally been the company's biggest source of profit. By contrast, commercial aerospace activities have been a steady drain. Between 1981 and 1992, the commercial aerospace business, including BAe's regional jets, turbopropeller commuter aircrafts and a 20 per cent stake in the European Airbus large airliner programme, lost £1bn, according to Mr Keith Hodgkinson, aerospace analyst at US broker Shearson Lehman.

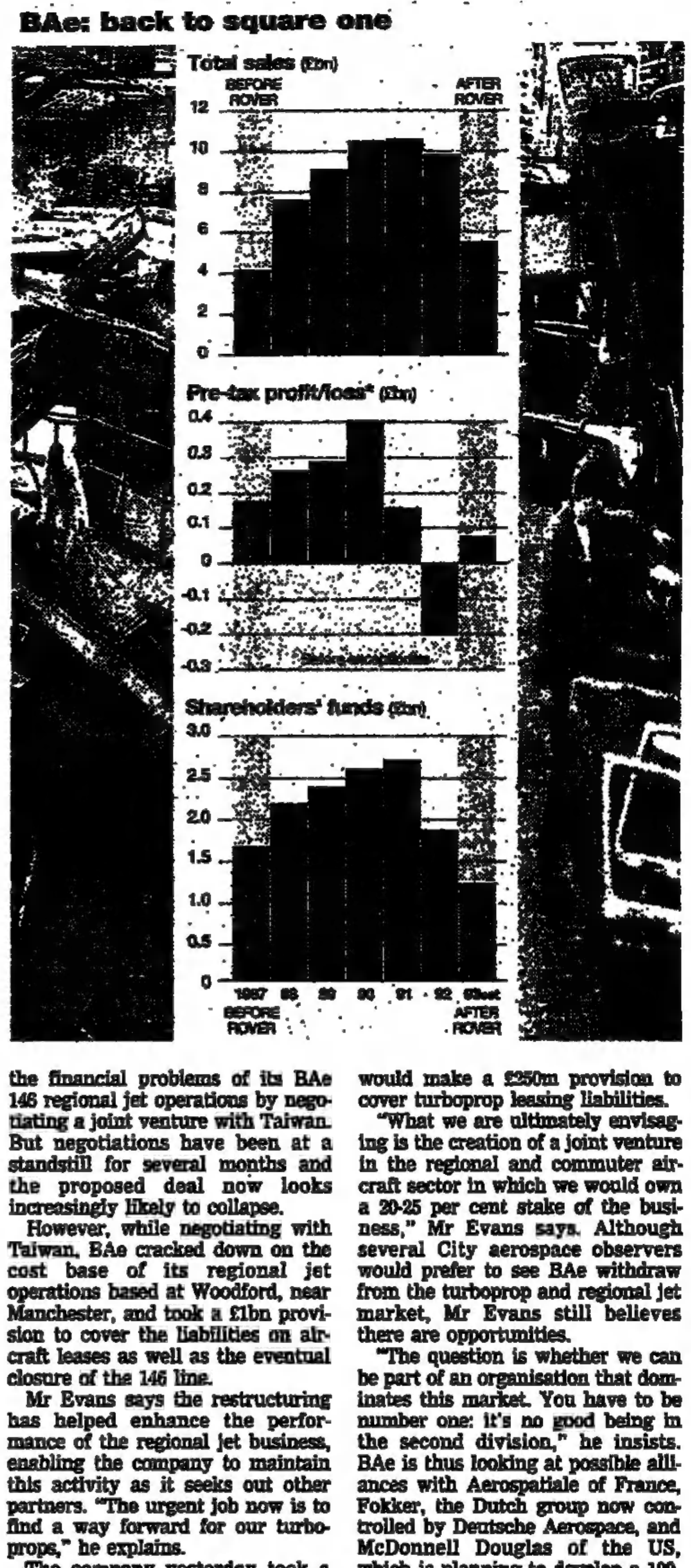
With the sale of Rover, BAe is back to square one. Shareholders' funds are now expected to drop to about £1.2bn and sales this year to about £5.5bn, from £1.78bn and nearly £10bn respectively in 1992. Mr Evans argues that the sale has strengthened the company's financial base to support its core business. "The Rover sale will free off a lot of banking capacity which had been devoted to Rover. It will release something in excess of £2bn, reduce our gearing and help us achieve our longer-term plans for aerospace."

At present, Mr Evans says BAe has no plans to seek fresh funds from shareholders to bolster the company's balance sheet. Instead, the company will shed inessential assets. The next target will be BAe's Arlington Securities property interests, bought during Sir Roland's acquisition spree in the late 1980s.

The other immediate priority is to halt the financial haemorrhage from civil aerospace. Although Airbus faces a difficult few years as a result of the sharp fall in the airliner market and increased competition from Boeing, its bigger US rival, Mr Evans believes Airbus is "without a shadow of doubt an excellent business" with good long-term growth prospects. However, he admits the jury is still out on the future of BAe's regional and commuter aircraft activities.

A year ago, BAe tried to resolve the financial problems of its BAe 146 regional jet operations by negotiating a joint venture with Taiwan. But negotiations have been at a standstill for several months and the proposed deal now looks increasingly likely to collapse.

BAe: back to square one



However, while negotiating with Taiwan, BAe cracked down on the cost base of its regional jet operations based at Woodford, near Manchester, and took a £1bn provision to cover the liabilities on aircraft leases as well as the eventual closure of the 146 line.

Mr Evans says the restructuring has helped enhance the performance of the regional jet business, enabling the company to maintain this activity as it seeks out other partners. "The urgent job now is to find a way forward for our turboprops," he explains.

The company yesterday took a first big step in addressing the problems of its turboprop Jetstream operations, now concentrated at Prestwick, Scotland, and expected to show an operating loss of about £120m in 1993. It announced it would make a £250m provision to cover turboprop leasing liabilities.

"What we are ultimately envisaging is the creation of a joint venture in the regional and commuter aircraft sector in which we would own a 20-25 per cent stake of the business," Mr Evans says. Although several City aerospace observers would prefer to see BAe withdraw from the turboprop and regional jet market, Mr Evans still believes there are opportunities.

"The question is whether we can be part of an organisation that dominates this market. You have to be number one: it's no good being in the second division," he insists. BAe is thus looking at possible alliances with Aerospatiale of France, Fokker, the Dutch group now controlled by Deutsche Aerospace, and McDonnell Douglas of the US, which is planning to develop a 100-seat version of its MD90 twin engine jet called the MD95.

One thing is sure: commercial aircraft activities must stop sapping the profits of BAe's defence business, Mr Evans stresses. But even if BAe resolves the problems of its civil aerospace operations, it must still establish its defence business on a more competitive footing in the post-cold war world.

BAe's military aircraft activities, whose spiritual heart is at Warton, Lancashire, are widely recognised as being world class. But industrial excellence and total design capability are no longer enough without scale and financial muscle. Mr Evans has long been convinced that there will be a shake-out in the European industry. "The Americans are already much further down the road of consolidation and the Europeans will have to respond," he says.

BAe is already in advanced negotiations to merge its guided weapons activities with those of the French Matra-Hachette group – though even that combination will be dwarfed by the two leading US missiles groups, Hughes and Raytheon.

Uncertainties also abound for BAe on existing programmes, most notably on the Eurofighter 2000 due to make its maiden flight in April. BAe acknowledges that this first flight will be psychologically crucial for the aircraft's controversial £10bn development programme, on which much of the future prospects of BAe's military aircraft production hinge. "Eurofighter is bloody important, but in defence, politics has always been the problem," Mr Evans says, referring to Germany's continuing hesitations.

The ultimate answer to all this could lie in one of the most dramatic mergers in UK corporate history. BAe and GEC, the two dominant UK defence companies, are in many ways natural partners. The idea of putting them together has been in the air since the early 1980s. Sir Raymond Lygo, former BAe chief executive, had actively sought a merger between the two companies before being turned down by his board.

The companies are already working together on naval systems and joined forces two years ago in an unsuccessful bid for the prime contract on the Royal Navy's EH101 anti-submarine helicopters.

Last summer, BAe and Lord Weinstock, GEC's managing director, again held talks to see if the two companies could combine their defence activities into a single group. To Lord Weinstock's particular annoyance, the talks were blown off course when the news leaked out in The Sunday Times.

Although BAe is at present not involved in any talks with GEC – "we've got enough on our plate at the moment," says Mr Evans – the company sees a link-up as inevitable.

"It is not if, it is a question of when," Mr Evans says. "The fact of the matter is that the UK customer, HMG, cannot afford to sustain a competitive policy among UK companies." If the UK wants to maintain its market position and remain the best defence contracting country in Europe, Mr Evans argues, it will have to form a bigger entity to face international competition.

GEC, with its cash hoard, would provide a more logical alternative to Rover in BAe's quest for size. Between them, they would constitute the world's second-biggest defence group after Martin Marietta of the US. While the Rover sale thus marks the end of a short and troubled era in the company's history, a link-up with GEC could finally secure BAe's long-term future as a world-class defence contractor.

MEN IN THE NEWS: ***Evans and Pischetsrieder***

Taking the rough with the smooth

Lucy Kellaway and **Christopher Parkes** on common ground and contrasts between the BAe and BMW chiefs

Dick Evans, a rough and tough Lancastrian, and Bernd Pischetsrieder, a poised and polished Bavarian, appear to have more cause for mutual congratulation than they have in common. But that perception may change.

The chief executive of British Aerospace and the chairman of BMW found some common ground a week ago when they struck the deal which surrendered control of the UK's Rover Group to Germany. Evans found a safe and rich home for Rover. Pischetsrieder found an "almost ideal" add-on partner to expand BMW outside its high-performance niche. As a result, both saw their reputations soar. Pischetsrieder was hailed as an entrepreneurial hero while Evans was lauded for seizing an opportunity of a lifetime.

There, the common ground appears to run out. Evans has been a controversial figure since he got the BAe job four years ago. Since last May, when Pischetsrieder inherited the top post – but not the title of "Mr BMW" – from Eberhard von Kuenheim, he has received only flattery.

'If we have no business coming in, whatever lies behind the door is not worth a row of beans' – Evans

The BAe chief's supporters in the defence industry see him as a hero: a man who knows the business inside out and who, in the group's darkest hour last year, sold £4bn-worth of Tornados to Saudi Arabia.

His detractors see matters differently. They argue that this salesman with scant experience of general management survived the disastrous £432m rights issue two years ago only because he was kingpin in the darkling world of Saudi Arabian deal-making.

That image is changing. Last Monday's announcement has won him more friends in the City. "We are now seeing a slightly different Dick Evans," says one observer. "This week he looks the smart boy."

Evans, who presented the deal alongside Richard Lapthorne, BAe finance director, and Rover boss George Simpson, acquitted himself well. There was no trace of the plain-talker who used to unleash his temper at meetings intended to massage investor relations.

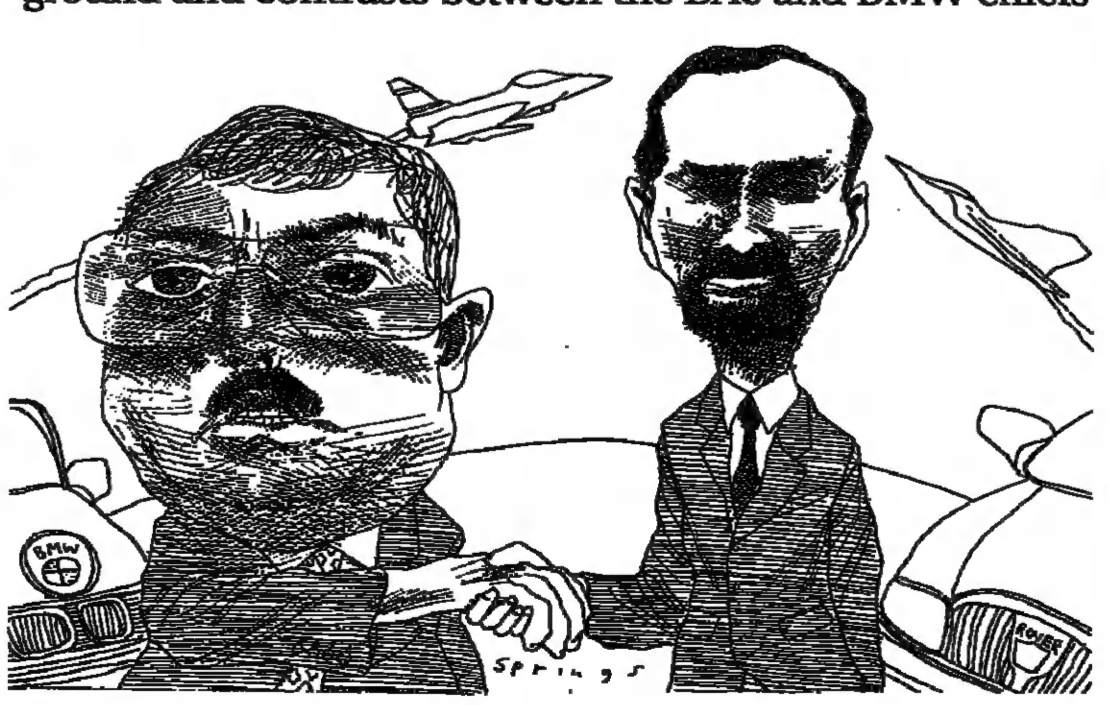
Communication has never been Evans's strongest suit. One investor comments: "I have rarely met a powerful chairman or chief executive with so little sheen or gloss." He concedes, however, that Evans has grown more comfortable in the job; smoother and more diplomatic.

The Ministry of Defence view is mixed. Lord Younger, former defence secretary, has named Evans as the British businessman he most admired, citing his role in turning round BAe. On the other hand, Alan Clark, ex-defence minister, describes his most appealing characteristic as being "a true Englander. I found this very sympathetic. It allowed me to tolerate some of his other attributes."

On a brief encounter it is not easy to get the measure of Evans. Bespectacled and stout, wearing shirtsleeves, he talks a great deal though it is hard to know what he is really thinking. One thing is clear. He is a practical man, dedicated to the job. "I have a tremendous capacity for hard work," he says. This week he has been existing on a diet of claret and apples.

He starts work most days by 6.30am, rarely getting home before 11.30pm. He works two weekends out of four, and is hanging on the phone for most of the others. A routine of "very little sleep" is punctuated frequently by naps on long-haul flights.

Evans is not boastful. Indeed, he does not seem happy talking about himself. He emphasises he is one of a team: a team runs the company, a team clinched the Saudi deal, a team sold Rover. He is allergic to the cult of personality, and has no desire to delve into his Blackpool background. He likes to play golf, usually with customers, but whenever he comes home he is "brought down to earth by three daughters firing from the hip, reminding you who's king".



As for selling aircraft to Saudi Arabia and car companies to Germans, he puts it all down to flair. "It's a matter of getting the right chemistry working. It isn't an art you can develop, but something you either have or don't have."

But he is ready to dispute that he is better at selling than managing. He argues that people say that only because the salesman's achievements are more apparent. In any case, the ability to sell is paramount. "We can have the most efficient organisation on earth. But if we have no business coming in through the front door, whatever lies behind the door is not worth a row of beans," he snorts.

More than a salesman, he sees himself as a strategic thinker. The new-look BAe, in which cars no longer have a part, is his design, not one brought in with the new chairman. "I wanted John [Cahill] to understand that upfront, he must sign up and take ownership of that strategy – which he did," he adds.

Which is what happened – in reverse – at BMW, where the hitherto unknown Pischetsrieder inherited the strategy of von Kuenheim, retiring after 23 years at the top of BMW. In fact, the 45-year-old is an integral part of a long-term strategy established by "the Old Man", as von Kuenheim styled himself.

The prickly Prussian prepared his succession and his strategy carefully. It was his plan to extend BMW's product range and market reach. It was his plan to replace BMW's autocratic leadership – himself – with an Evans-style team. Pischetsrieder is firmly flanked ("walled-in" as some say) by two power-sharing colleagues.

On one side sits Horst Teltschik, a former adviser to Chancellor Helmut Kohl, and now known as BMW's "foreign minister". On the other sits Wolfgang Reitzle, an old college chum of the chairman, who presides over a "mega-ministry" which gives him effective control over most aspects of development, purchasing and production and some 7,000 staff.

Nor is von Kuenheim out of the picture. Now chairman of the group supervisory board, he has taken an office one floor below the management, from where he massages and maintains crucial links with the rich and secretive Quandt family, which owns anything up to 75 per cent of the business.

Pischetsrieder is firmly flanked ('walled-in' as some say) by two power-sharing colleagues

While such a structure makes it tempting to doubt Pischetsrieder's allies' claims that the Rover coup was all his own work, the speed and calm efficiency of the move matched his reputation perfectly. As one industry insider said last year: "He is a placid man, decisive, hard, fast and footsure."

His handling of British unions' *angst* this week demonstrated successful application of his belief that "leadership is to do with communication and conversation". As one competitor noted: "He is probably the most-trusted manager – at all levels – in the business."

It was Pischetsrieder, previously production director, who gave BMW a head start in Germany's current race for improved productivity. A plain speaker like BAe's Evans, he made no bones about the implications. "Simultaneous engineering with our suppliers means nothing more and nothing less than asking our employees to give up their jobs," he said.

His directness is not limited to the shop floor. Asked in an interview about his relationship with von Kuenheim, he was almost blasé. He had no problems, he said, because they both understood the duties of a supervisory board. One element was supervision, the other was to provide advice – when it was asked for.

In common with Evans, but for different reasons, he shuns the limelight. In a community where capitalism's captains are still terrorist targets, he guards his privacy. He limits his risk-taking to the business arena and increasingly rare outings on his snowboard.

On the job, while the practical Evans attributes his successes to flair and "getting the chemistry working". Pischetsrieder, the trained engineer, also shows himself to be more open in his thinking about management than is common in Germany. Unfortunately, the processes which led to successful products were not always logical, he said in an interview last year. They therefore could not be planned down to the last detail. He was "almost frightened" to say so, but gut feelings and chance had to be allowed a role in management.

Gabriele Hoffmann, one of Germany's leading astrologers, had no such fears when casting his horoscope around the same time. The Aquarian Pischetsrieder was a "super type", she said, with a good instinct for what is important. "From November BMW will have a possibility to take a share in a foreign company," she predicted.

Whether he was following his gut feelings or Hoffmann, Pischetsrieder made his first unsolicited approach to BAe last October. He and Evans took their chances last weekend.

The Evans persona, as has been noted, is already becoming smoother and smarter. Chances are that a spell in the hurly-burly of life beyond BMW's exclusive niche will roughen and toughen Pischetsrieder sufficiently to earn him the title "Mr BMW", which for the moment still belongs to the Old Man.

Pet owners in the dog-house

Tony Walker on the growing calls to banish canines from China's cities

Dog-lover Lai Mincheng is not a happy man these days in spite of the approach of the Year of the Dog according to the oriental lunar calendar.

With scant regard for sentiment, People's Daily, the Communist party newspaper, has railed against dog-ownership, adding its stern voice to growing calls to rid Chinese cities of man's best friend.

Pet dogs should be banished, the paper said, because they "spread rabies and threaten people's lives ... urinate and defecate everywhere ... bark and yelp, scaring people and biting people".

Mr Lai, senior veterinarian at Beijing General Pets Hospital, fears that such prejudices will rebound against efforts by dog-owners to persuade people that theirs is a harmless hobby. "I hardly have the heart to go to work these days," he said.

Not since the 1950s and 1960s has the party newspaper been quite so unkind about the humble canine. Dogs were banned from most Chinese cities after the Communists took over, determined to build a new and healthy society. During the Cultural Revolution, Mr Lai hid his pet birds under his bed because owning pets was considered bourgeois and decadent.

Some of those dark memories have been revived recently with reports of dogs being taken forcibly away from tearful owners. Mr Lai recalls individual acts of resistance with satisfaction. In one case a woman threatened to jump out the window of her high-rise apartment rather than give up her dog.

Before the Year of the Rooster gives way to the Year of the Dog next Thursday, uncertainty surrounds the fate of Beijing's pampered pooches. Government curbs, to be known by the bleak title of "Regulations on Pets: Sanitation Control", are expected to place a limit on the size of dogs – ownership would be restricted to small breeds such as terriers – and would also make parks and public areas off-limits to dogs.

The new rules will hit China's emerging, moneyed middle class, which is largely responsible for dog-ownership becoming first a fad and then a craze in cities like Beijing and Shanghai. Canines of dubious parentage have been changing hands for hundreds, and sometimes thousands, of dollars.

Russian traders have been a chief source of supply, smuggling puppies past border guards and selling them in Chinese markets, or bartering them for garments or cloth. The main problem with smuggled Russian dogs, as far as the Chinese authorities are concerned, is that apart from the avoidance of quarantine controls, these animals tend to grow from cute little bundles of fur into large and noisy mastiffs.

The multiplying number of dogs on the streets has prompted a vigorous, if one-sided, debate in official newspapers. Typical was a long letter published in the English-language China Daily in which a reader, Mr Zhang Huimin, described dog-ownership as "deplorably out of harmony with a China that is still poor and trying to ensure a better standard of living for all".

Mr Zhang reported with "disgust" a recent episode in which he had observed "a not-too-clean-looking, curly-haired dog stop at the trunk of a young tree and unblushingly lift its short and fat hind leg high to send out a yellow jet of water".

Such graphic descriptions clearly struck a chord with Mr Cheng Musheng, a local Beijing legislator, who said he would be urging the authorities to pass an ordinance forthwith to ban "noisy and dirty" dogs.

Mr Zhang was also outraged by the spectacle of dog-owners lavishing special care and attention on their pets, including visits to dog beauty parlours.

At Beijing's K P K World Pet Zoo Co Ltd – the capital's premier pet emporium – which advertises a range of pet-care services including "cosmetic beautifying" – the mood is gloomy as business has dipped sharply since dogs found themselves, well, in the dog-house with the authorities.

People were visiting the store to look but not to buy, said Mr Liu Xuelu, the manager. "These days only those who are opposed to dogs get the right to speak in the media. Others don't," he said.

Attitudes were less antagonistic under the rule of China's emperors and empresses, many of them noted dog-lovers. The Manchu Empress Dowager Ci Xi, whose devotion to Pekinese dogs was legendary, was said to have laid down the breed standard for the palace dogs as rigidly as she laid down the law for her humblest subjects on the remote frontiers of Tibet. "Let the lion dog be small, with the selling cape of dignity round its neck and billowing standard of pomp above its back," she declared.

China's modern leaders have shown no such conspicuous affection for the four-legged creatures. Unlike in the west, dog-ownership is not yet considered a useful political prop in China – but times change.

Mr Lai might be rather gloomy about the present chill towards man's best friend, but he believes dog-lovers will prevail. "It's become an historical tide," he says.

Woof justice: a dog's life is a bone of contention entailing the risk of arrest, as a Chinese official proves

Tidal wave of dirty water

John Willman examines falling standards in UK public services

High standards in the public services are like clean water, according to Professor Peter Hennessy, the historian and veteran Whitehall watcher. You only realise their value when they've gone.

If so, there are worrying signs of contamination appearing in the UK water supply. Consider some examples:

- Fraud squad detectives have been called into the Welsh health promotion quango to investigate foreign travel expenses.
- The Wessex regional health authority wasted at least £20m on a computerisation project that was later abandoned. Serious conflicts of interest were uncovered in the commissioning process.
- The employment department has been unable to provide auditors with adequate evidence that almost £80m paid out for employment training was properly spent.
- The National Audit Office, Parliament's public expenditure watchdog, found weaknesses in the financial controls of schools that have opted out of local authority control, including in procedures for authorising payments.

Ten days ago, the powerful Commons Public Accounts Committee, which monitors government finances, published a brief but scorching attack on the decline of standards in the conduct of public business. It cited 17 of its own studies over the past four years which indicated serious failings in the handling of public money.

Mr Robert Sheldon, the committee's chairman for 11 years, said the frequency of such cases in recent years indicated that something was going wrong. He warned that they might be the tip of an iceberg.

Even the Treasury, the bastion of financial rectitude, has not escaped censure by the committee. Losses of almost £1m have been clocked up in its catering agency, Forward Civil Service Catering, through "poor control, mismanagement, irregularity, malpractice and fraud".

Mr Sheldon made much of the link between the decline in standards and the management reforms carried out in Whitehall over the past 15 years. The creation of executive agencies, the growth in contracting-out, the delegation of responsibilities to local offices and the encouragement of a more entrepreneurial approach by managers are all blamed for the rising tide of financial scandals.

All of these create opportunities for mistakes to be made, money to be wasted and corruption to sneak into the system, according to Sir John Bourn, head of the National Audit Office. He told MPs this week that the delegation of financial responsibility away from Whitehall was in some cases leaving inexperienced staff in charge of large sums of public money.

Such problems were compounded, Sir John said, when managers were brought in from the private sector to run public services without being briefed on the procedures for handling public money and parliamentary accountability. One agency chief executive he investigated had asked: "Why are you doing this to me?"

It is a fair point: many of the misdemeanours which Sir John has highlighted would hardly raise an eyebrow in the private sector.

The Welsh Development Agency, for example, was censured for a long list of offences, including serious conflicts of interest. But the charge sheet included the payment of excessive redundancy payments, use of Concorde for transatlantic flights and the provision of cars for executives without requiring them to pay for private motoring. The agency's record in grabbing 20 per cent of the UK's inward investment for just 5 per cent of the population counted for nothing against such errors.

Yet career civil servants know that handling public money is not the same as handling private money. The rules are different because it is taxpayers' money they are spending, says Mr Richard Mottram, the permanent secretary in charge of public sector reform at the Cabinet Office. Taxpayers have no choice but to pay their taxes; they want to know that it is not being spent in ways they would disapprove of.

That truth is instilled in those who have worked in the civil service all their working lives. A senior civil servant in charge of an agency puts it like this: "There is a reflex that twitches whenever you spend public money. You think to yourself 'What would it look like in The Sun?'"

That reflex does not come naturally to business executives brought in to run public services, according to Mr Derek Lewis, the chief executive of the Prison Service who used to run leisure group Granada. More needs to be done, he believes, to explain the different rules to newcomers like himself. "Controls on spending and finances in the private sector operate much more on a bottom-line basis," he says. "There is less concern over how a manager uses funds if he sticks within the total.

"Government rules pay a lot of attention to the specific categories of spending, with complicated and restrictive rules for moving money from one budget to another."

Mr Lewis is regarded as one of the most successful transplants from the private sector. But he says that the degree of scrutiny in the public sector takes some getting used to. "A company is largely in control of the occasions when it accounts for its performance. There is no closed season in the public sector – you are continuously accountable."

The many dimensions of public accountability are stressed by Mr Michael Bichard, former chief executive of Gloucestershire county council who now runs the Benefits Agency, which pays pensions and social security benefits. He finds he is accountable to the social security department, the Treasury, the Citizen's Charter unit, the ombudsman, MPs, select committees, the media, the general public and, of course, his customers. "Having worked in the public sector myself, it didn't surprise me," he says. "But I know that comes as a shock to those coming in from the private sector."

This unfamiliarity with the requirements of public accountability is confirmed by Dr Elizabeth Mellon of the London Business School, who has followed the civil service reforms closely. "Interviews with agency chief executives from outside the civil service early in their new jobs showed evidence of lack of clear briefing or even contact from permanent secretaries."

But Dr Mellon sees the growth of financial scandals more as a consequence of government attempts to change the culture of the civil service. An increasing focus on results is replacing a concern for the processes by which decisions are taken. As a result, the complex checks and balances which ensure probity in spending public money – evolved over 140 years – are neglected.

"Inevitably, people will cut corners when it is results which have become most important," she says.

The Cabinet Office's Mr Mottram concedes that more needs to be done to explain the procedures and ensure that adequate systems for monitoring spending are in place. In doing this, the PAC report will be helpful, he says, because it identifies the failings which have led to mismanagement and fraud.

But he warns against 20:20 hindsight: "If we want a less risk-averse culture, people should be allowed to make legitimate mistakes without being held up to ridicule."

The difficult line to be drawn in these instances, however, is that between legitimate mistakes and those which are unacceptable to the taxpayer. Cross that line, and the water starts to look very murky indeed.

In the bear's shadow

Hugh Carnegy on the security concerns facing the winner of tomorrow's Finnish presidential election

At Nuijamaa, a crossing point on Finland's frontier with Russia about 200km north-west of St Petersburg, the rantings of Vladimir Zhirinovsky, the Russian ultra-nationalist, seem little more than a distant echo in the chill winter air.

With the temperature at -20°C, even in a dazzling midday sun, all that disturbs a sparkling scene of snow-draped forest and frozen lakes is the rumble of heavy trucks plying back and forth between the Russian giant and its little western neighbour.

"We are proud of how few incidents we have along this border," says Capt Janne Piiroinen of the Finnish Border Guards. But he is not complacent. "The border is more interesting now. Russia is boiling. You don't know what will happen next."

The young officer's attitude neatly sums up Finland's position, as the initial optimism generated by the end of the cold war gives way to renewed uncertainty over Russia's future posture.

The question of how Finland – which is seeking membership of the European Union – manages its delicate position between west and east will be the dominant issue for the winner of tomorrow's contest for the Finnish presidency between Mr Martti Ahtisaari, a seasoned United Nations diplomat, and Mrs Elizabeth Rehn, the defence minister. Directing foreign policy is the main role played by the president under Finland's constitution.

Undoubtedly, the rise of strident Russian nationalism symbolised by Mr Zhirinovsky is worrying for Finland. The country broke free from Russian rule only in 1917 and fought twice between 1939 and 1944 against Soviet forces to preserve its independence, much of the fighting taking place in the Karelia region around Nuijamaa.

Two years ago, alarm bells began to sound in Helsinki when Mr Zhirinovsky's party included Finland on its list of countries which should be brought back under Moscow's rule. Last year, for good measure, Mr Zhirinovsky declared that a country with a woman as defence minister did not deserve to be independent.

The Finnish reaction has been deliberately cautious. Neither Mr Ahtisaari nor Mrs Rehn, who are running neck-and-neck in the opinion polls, have dwelt on the "Zhirinovsky question" in the presidential campaign. They stress their commitment to Finland's security, but prefer to emphasise the Russian government's declarations of commitment to democratic reform than Mr Zhirinovsky's utterances.

Finland is well aware of its vulnerable position alongside such a mighty power. It learnt the benefits during the postwar period – in terms of national security but also in terms of trade – of maintaining its neutrality while cultivating friendly ties with the communists in Moscow.

It is being careful now not to prejudice its relations with a more aggressive regime that may in the future take power in Russia. Suggestions that Finland might abandon its neutrality in favour of some alliance with Nato tend to be side-stepped by politicians and officials alike.

But Helsinki is nevertheless making an unmistakeable strategic shift in its application to join the EU – a move supported by both Mr Ahtisaari and Mrs Rehn.

Elizabeth Rehn and Martti Ahtisaari

Mr Max Jacobson, a former ambassador to the UN, describes Finnish membership of the EU as an "insurance policy" against what he calls "the tremendous uncertainties" of the future. "What gave us an advantage in the cold war period was the fact that there was a balance of power in Europe. The Russians had to take into account western reactions to whatever they did towards Finland. The west accepted our reservations about participation in western organisations.

"We now have to consider the possibility that the west won't be so interested in what may happen in eastern Europe. If we choose to stay outside the EU, what obligations would the western countries feel towards us?"

Opinion polls suggest that fear of what may transpire in Russia is bolstering pro-EU opinion in Finland. If negotiations on an accession agreement – being conducted in parallel with those of fellow-applicants Austria, Norway and Sweden – are completed by the March deadline, a referendum to decide the issue will be held by the end of this year.

But a clear path to membership is still by no means assured. There is a significant camp in Finland which argues that the country should stay outside the EU and unambiguously neutral precisely because it may one day again find itself squeezed between mutually hostile western and eastern powers.

Negotiations with Brussels on entry terms are also complicated by deep differences over subsidies for Finnish agriculture, which Helsinki wants treated under the Common Agricultural Policy as a special Nordic category. The rurally-rooted Centre party of Prime Minister Esko Aho is split on the EU issue and could not accept an accession agreement seen to disadvantage Finnish farmers.

If a crisis over accession terms does blow up in the next month, the new president could immediately be faced with a splintering of Mr Aho's Centre-Conservative coalition on the EU issue.

However, if such pitfalls are avoided and Finland joins the EU, the 1,200km-long border Capt Piiroinen helps patrol will become the Union's first direct frontier with Russia and Finland's border problems will also become Brussels'.

In that case, the message from the Finnish side is so far reassuring. Concerns after the collapse of the Soviet Union that a flood of hungry refugees might pour over the low fence that marks the border have proved groundless. The number of illegal border crossings in Capt Piiroinen's 25km sector has more than than halved since 1990 to a paltry 20 last year. "We were very worried about that – but it just hasn't happened," he says.

The number of smuggling cases has doubled, with 120 serious incidents – involving mainly illicit pharmaceuticals and precious metals – recorded along the southern 500km sector of the frontier last year. But customs officials say co-operation with the Russian authorities is good and improving.

Above all, the local economy in the border area is benefiting from a growth in private cross-border trade which barely existed before the disappearance of the Soviet regime.

In Lappeenranta, the main Finnish border city, telecommunications and postal links have been set up with St Petersburg which more than 100 foreign companies working in the Russian city are using for reliable communications with their home bases. Transit trade has blossomed since 1991 and grew by more than 300 per cent last year.

Used cars alone are being bought and taken back across the border by Russians at the rate of more than 3,000 a month. "We have seen buses with 30 Russians arrive in the morning from St Petersburg and return empty followed by 30 newly-purchased cars, all bought with cash," says Mr Jarmo Pirhonen, head of the local chamber of commerce.

He has a sanguine view of the future. "We have to be realistic – we can't change our geography and there is no benefit in being afraid. Of course we are a little bit worried. But I think whatever happens in Russia, trade will go on, because they really need it."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Flaws and breach of trust behind BT performance related pay scheme

From Mr Simon Petch.

Sir, I read with some concern Robert Taylor's report on the complexities of BT's performance related pay scheme ("Must try harder", February 2). I would like to add three points.

First, BT's own pay comparison study is seriously flawed, being based on crude and implausible averages, with no consideration given to length of service, distribution, population change, performance profiles or relative expectations.

Even more astonishingly, although BT describes it as comprehensive, it in fact fails to cover more than half the managerial and professional jobs in BT.

Second, BT's recently discovered ambition to go down market implies it understands its position in the labour market it talks about. There is no evidence of this. BT's casual disregard of the prospect of its more talented managers leaving is evidence of its down-market approach. This cannot inspire the customers whose business it needs to win.

Finally, it is a pretty fundamental breach of trust if BT, after telling people they will be paid for their performance, then suspends the performance pay scheme. BT's profits this year will increase to more than £3bn. For it to say to its 26,000 managers and professionals that 10 per cent of them can share £2m as a consolidated pay increase is grossly insulting. It is, after all, considerably less than the BT board paid itself last year.

We must not let our concern with the complex mechanics of performance pay schemes blind us to the simple truth that mistakes of this magnitude totally destroy any prospect of performance pay improving performance.

Simon Petch,
general secretary,
Society of Telecom Executives,
Arthur Willitt House,
1 Park road,
Teddington,
Middx TW11 0AR

A worrying shift in employment patterns

From Ms Gabrielle Cox.

Sir, If Samuel Brittan were to examine the employment rather than the unemployment figures he might feel less sanguine about recovery ("Evidence for a real recovery at last", January 31).

Employment began to rise in March 1993. The latest figures (*Department of Employment Gazette*, January 1994) show that between March and September last year employment rose by 94,000. This was made up of a rise of 76,000 part-time male jobs and 114,000 part-time female jobs and a fall of 87,000 full-time male jobs and 9,000 full-time female jobs. The net result (apart from a further shift from male to female employment) was a fall of 96,000 full-time jobs and a rise of 190,000 part-time jobs. Part-timers work on average 15.2 hours per week.

Even if two part-time jobs were equivalent to one full-time job there would still be a deficit of 1,000 jobs over the period.

Many part-time jobs pay less than the National Insurance threshold, forcing families into dependence on means-tested benefits, and increasing the fiscal problems caused by a growing social security bill and a smaller tax-paying workforce. Only 40.5 per cent of households in the UK have a head of household in full-time work, compared with 49 per cent in 1981-82.

In the north-west in the first six months of 1993 we lost a further 4 per cent of our manufacturing jobs, and since then a number of leading employers (such as British Aerospace and Ferranti) have announced significant job losses. Surveys of manufacturers' order books and output do not count all those who have gone out of business since the previous survey.

The apparently inexorable shifts from manufacturing to service sectors, from male to female and from full-time to part-time employment ought to be raising serious worries not only about the economy but about the future of society as a whole.

Gabrielle Cox,
Greater Manchester Low Pay Unit,
23 New Mount Street,
Manchester M4 4DE

Enriching ecclesiastical experience that was part of life in the City

From Mr Tim Coghlan.

Sir, The article by Colin Amery, "Smiting the Philistines" (Arts, January 31), warning that once again the City churches are under threat, is one that all lovers of this unique heritage should heed.

When in 1969 I undertook articles with a City firm of chartered accountants, the only advice I received from my father, who had trained likewise in his time, was: "Take time off to see the City churches." I happily followed his advice, visiting all 39 of them, John Betjeman's guide in hand, and singing in both of the two then remaining City church choirs. It was the most enriching experience of my City years.

Tim Coghlan,
managing director,
Braunston Marina, The Wharf,
Braunston, nr Daventry,
Northamptonshire NN11 7JH

Contested call for a patient with patience

From Mr I G Stockman.

Sir, After the prominence given to a long-winded whinge about the hours GPs work ("What's up doc?", January 29/30) can we look forward to an uninspiring series of moans from other professionals? Surveyors spend hours out of doors in all weathers; lawyers may have to associate with the wrong sort; academics spend holidays marking exam scripts.

Doctors who opt for general practice contract to provide 24-hour cover for their patients. They know their hours will be stretched, but generous pay levels reflect the inconvenience of occasional disrupted sleep. If a doctor finds being on call too demanding, he or she has the wherewithal to purchase cover from a deputising service.

I G Stockman,
13 Albany Court,
Stantonbury,
Milton Keynes MK14 6DN

From Dr Christopher C Ward.

Sir, What's up doc? I am! It is 2.20 am and I cannot sleep. But then I am a GP. I received my second call since I came to bed at 1.30am, from a patient who couldn't get to sleep. This was my third night without sleep.

I suggested she could have contacted me at the surgery yesterday, or later today, and I could have provided her with appropriate treatment, but her problem was now.

I pointed out that she was asking me to get up and visit her in the middle of the night because she couldn't sleep and needed to get up for work in the morning. I could not take a sleeping tablet in case I was called out again. I had to get up for work in the morning as well. She had no response to this.

So I went to see her and gave her her sleeping tablet. I hope she is asleep, because I'm not.

Dr Julia Riley, I heartily agree with you. It is time our patients began to take some responsibility for their own health and not pass it all on to the doctor.

Christopher C Ward,
Brockwell Medical Group,
Brockwell Centre,
Northumbrian Road,
Cramlington NE23 9XZ

Abbey National buys CIBC's mortgage book

By Alison Smith

Abbey National, the mortgage lender and banking group, has bought the £900m UK residential mortgage book of Canadian Imperial Bank of Commerce.

The mortgage assets are equivalent to 2 per cent of Abbey's existing mortgage assets, and were purchased at an undisclosed discount to the book value.

CIBC Mortgages has about 17,500 mortgage customers. These will benefit from a 0.25 percentage points cut in the interest rate they pay, which will fall to 8.2 per cent from March. Abbey National customers currently pay 7.74 per cent.

The operation employs 104 staff – most of them at Coventry – and will continue to be run as a separate organisation from the bank itself, called Abbey National Mortgage Finance.

Apart from increasing Abbey's mortgage assets, the acquisition will also give it the capability to securitise future mortgages.

Securitisation involves the selling of "packages" of mortgages to a vehicle company which issues bonds against them. It would allow the bank to devolve credit risks to investors, and also raise its return on capital by "re-using" it as it would release capital that regulatory guidelines require a bank to hold against assets.

The bank does not intend to securitise the existing business, but may move down this route within the next couple of years.

An essential part of the process is computer systems that have sufficient detailed information about individual mortgages to enable the payment risks for each one to be assessed.

Mr Peter Birch, chief executive, highlighted the importance of the systems the bank was gaining as part of the deal. "Setting these up from scratch would be time-consuming and complex", he said.

The purchase is the most conspicuous example of a recent trend among more mainstream mortgage lenders to purchase the books of some lenders who entered the UK housing market in the 1980s and no longer see it as central to their business.

Within the past year or so, Birmingham Midshires, the UK's 13th largest society, has bought four mortgage books amounting to £295m.

Mr Dan Ferguson, European vice-president of CIBC, said the departure from the UK residential mortgage market which CIBC entered in 1986 "is reflective of our previously announced decision to exit those of our European operations which are not a core component of our global investment and wholesale banking lines of business".

Intl Food requests suspension of shares

By Tim Burt

Shares in International Food Machinery, the troubled second-hand catering equipment supplier, were suspended yesterday on the Stock Exchange.

A statement by the Humberside group said the temporary suspension was made at its own request "pending clarification of the company's financial position".

The announcement followed a profits warning last November, when the company said its results for the year to December would be substantially below market expectations.

Although IFM last year reported interim pre-tax profits of £878,000 (£292,000) on turnover of £4.84m (£3.39m), it subsequently ran into overstocking problems and debts mounted to more than £3m.

Since then the share price has tumbled from 80p and was suspended yesterday at 14p.

Interest costs keep Birse in the red

By Simon Davies

Birse Group, the building and civil engineering company, yesterday announced a return to operating profit for the six months to October 1993, after two years of losses.

The recovery was led by increased activity from the company's construction division, but interest payments of £1.98m resulted in a pre-tax loss of £1.4m, compared with a £2.71m loss a year earlier. Operating profit amounted to £580,000 (£429,000 loss).

Birse announced a £24m placement in December, to counter the impact of write-downs on its property portfolio and the effects of collapsing profit margins on its construction business.

Mr Peter Birse, chairman, said: "We've bottomed out, I think, but how quickly the recovery will happen is still in doubt."

Turnover increased by 20.5 per cent to £197.3m. The rise was wholly accounted for by Birse Construction, which reported a £774,000 profit, against a loss of £615,000 a year earlier.

Mr Birse said the company had started to push into more stable sectors of the construction industry, primarily public sector contracts such as schools, hospitals and refurbishment of council estates.

With its strengthened balance sheet, Birse has been able to compete more strongly for new contracts, and this should result in a stronger order book over the next three months.

The company's plant hire business remained profitable at the interim stage, and Birse's housebuilding business recorded its first operating profit.

Birse has decided to wind down its commercial property development and investment business over the next two years.

The portfolio is valued at £30m, and reflects present market values, so this would enable the group to reduce net debt from its current level of £17.3m. Losses per share amounted to 2.1p (3.6p).

Trevor Humphries

Peter Birse (left) with finance director Martin Budden: pushing into more stable sectors of the construction industry

Granada and Carlton get the go-ahead to proceed with bids

By David Wighton

Granada's £650m hostile bid for LWT and Carlton's agreed £760m acquisition of Central Independent Television were both cleared by the Department of Trade and Industry yesterday after the companies undertook to limit their shares of the television advertising market.

Mr Michael Heseltine, trade and industry secretary, said the bids would not be referred to the Monopolies Commission having accepted undertakings from the companies that they would not control more than 25 per cent of all UK television net advertising revenue after August 31 1995.

The clearance restarted the clock on the Granada-LWT bid and allowed Carlton's offer for Central to be declared unconditional in all respects. If Granada's acquisition of LWT succeeds the combined group would control about 40 per cent of the ITV advertising revenue and around 30 per cent of the total television advertising market. Mr Gerry Robinson, Granada chief executive, said it was too soon to say how its share would be reduced but added: "The chances of sorting it out in a neat way are very high."

LWT replied that Granada would be required to abandon its joint sales house with Scottish Television or break LWT's five-year contract with Yorkshire-Tyne Tees Television.

Advertisers, who had feared that a concentration of advertising sales could force up prices, gave the agreement a cautious welcome. However, Mr Ken Miles, director general of the Incorporated Society of British Advertisers, said: "We would have preferred to see it dealt with more quickly. Given the uncertainty it would cause we would encourage them to anticipate the timetable if the takeover does go ahead."

Central and Carlton together control a little less than 25 per cent of total UK television advertising though Anglia, which has a joint sales house with Central, controls a further 5 per cent.

LWT has until midnight tomorrow to put out any new information. Granada will then have a week to improve its offer with the final closing date 14 days after that.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Eng & Caledonian ......int	1.25	Apr 7	1.25	-	4
Fleming American ......fin	0.65	Apr 7	0.35	1.5	0.7
Heavitree Brew § ......fin	3	Apr 7	2.45	3.6	3.05

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock

Lasmo pulls out of sale talks

Lasmo, the oil exploration and development company, is pulling out of talks to sell its interest in the Markham gas field in the North Sea, which was put up for sale in March last year.

The company said that it had been able to raise significant funds from other sources, including the £123m from the sale of offshore assets to PowerGen in December.

Lasmo had been talking to Wintershall, the German gas company.

Mr Joe Darby, chief executive, said the company would only sell if a full value could be realised. It did not think the offers received represented this value.

He added that the value of the field, which straddles the UK and Dutch sectors, had increased through improved performance and lower than expected costs.

Bletchley seeks £5m and forecasts profits advance

Bletchley Motor Group is calling for £5m after expenses via a placing and open offer of 1.53m new ordinary shares at 340p each.

The proceeds of the issue will be used primarily to provide finance for the development of a multi-franchise site at Milton Keynes and the development of a new dealership at Letchworth.

Kleinwort Benson Securities has entered into an agreement to procure placees for the shares which will then be subject to a clawback by existing shareholders on a 1-for-3 basis.

In a trading statement Bletchley directors estimated that profits before tax for the year to end-December would be not less than £1.75m, an improvement of 43 per cent over last time's £1.23m.

Their intention was to propose a final dividend of 5.1p (4.4p) to make a 9.85p (8.8p) total. The new ordinary shares under the open offer would rank for the forecast final dividend.

Bletchley continued to see a "steady growth" in sales during 1993 with all divisions performing well. Vehicle sales were "very encouraging" with an aggregate increase in volume of some 20 per cent over the previous year.

The shares closed 10p higher at 375p.

ECIC raises £17.2m in placing

Energy Capital Investment Company, an investment vehicle specialising in project finance for the oil and gas industry in the US, yesterday announced it had raised £17.2m in an institutional placing.

The company said institutional investors had subscribed for five shares and one warrant at a unit price of £5. A total of 18m shares and 3.6m warrants had been placed, about half of which was taken by UK institutions.

The shares are expected to begin trading on February 10.

Alpha offer 6.1 times subscribed

The public offer for shares in Alpha Airports Group, which provides flight catering to airlines and retail services at airports, has been 6.1 times subscribed.

Valid applications totalling 85,470 were received in respect of 242.1m ordinary shares, compared with 39.58m shares available. The figure included priority applications from eligible employees for 979,310 shares.

Allocations are as follows: applications for 100 shares will go into ballot for 100; 200 to 400 shares – a weighted ballot for 200; 500 shares – a ballot for 250; 1,000 shares – ballot for 500; 1,500 to 2,000 shares – a weighted ballot for 750; 2,500 to 5,000 shares – 30 per cent of shares applied for; 6,000 to 10,000 shares – 25 per cent; 15,000 to 100,000 shares – 20 per cent; and 110,000 to 490,000 shares – 20,000 shares. No shares will be allocated to applicants for 500,000 shares and above.

Dealings will commence on February 10.

Silvermines' I£5.2m offer for Molynx

Silvermines, the Dublin-based electrical and property group, has made an agreed offer for Molynx Holdings which values the closed circuit television, security and building energy management systems maker at I£5.17m (£5.11m).

The offer is of 55 Silvermines' shares for every 100 Molynx shares, valuing each Molynx share at 25.6p, or 25.3p sterling.

Silvermines will also be raising about I£7.4m net through a placing and open offer of 20.35m new shares at 43p on a 5-for-8 basis. The placing and open offer have been fully underwritten by Williams de Broë and Riada Corporate Finance.

The proceeds will reduce Molynx's borrowings and provide capital for the enlarged group.

Silvermines forecasts pre-tax profits of I£1.4m and a dividend of 0.5p for 1993, while Molynx estimates pre-tax losses of £3.8m.

Trusting in low interest rates

Bethan Hutton on why investment trust launches are at record levels

Investment trust launches in the first month of 1994 have raised more money than the total for 1992, and could beat the 1993 total by the end of the first quarter. More than £1bn is accounted for by two trusts alone – the Kleinwort European Privatisation Investment Trust and the Mercury European Privatisation Trust.

New issues are coming out virtually every other day to mop up the demand which has been pushing many existing trusts' share prices to a premium to net asset value. There are currently about a dozen trusts at various stages of launch, from the first announcement of intent, to the final listing.

This level of activity is chiefly the result of the same low interest rate environment which has fuelled the "flight into equities" already evidenced by record unit trust inflows. Private investors are searching for homes for their money which offer higher returns than the 3 or 4 per cent paid by many building society accounts.

The record demand for the two European privatisation trusts shows just how much money is looking for a home. The offer for the Kleinwort European Privatisation Investment Trust closed on Wednesday with applications being drastically scaled back to keep the trust to its maximum size of £500m. Enough applications were received to make it £880m. It is, for the moment, the biggest UK investment trust launch ever.

However, it is likely to be overtaken within a month by the Mercury European Privatisation Trust, which has already raised £325m through its placing, and has set its limit at £575m. The public offer closes on March 2, and is almost certain to be oversubscribed.

The previous record was set by the Mercury World Mining Trust last December, which pulled in £425m. New investment trusts in 1993 raised a record total of £1.49bn, not including Lloyd's corporate capital investment trusts, which pulled in £700m.

But Mr Nigel Sidebottom, of stockbrokers Gerrard Vivian Gray, who manages private client funds invested in investment trusts, says investors are no longer buying equity funds indiscriminately, as value is becoming harder to find.

"My feeling is that the markets have had a pretty strong run over the last 12 to 18 months. Everybody is looking at it and saying, have I missed the boat? They are looking for some angle, some story, which may outperform the market. I think that is why they are focusing generally on funds which are quite specialised – Mercury World Mining, the privatisation trusts, single country funds, emerging markets."

Specialist funds can give added value even to institutional investors, who may manage more general portfolios themselves. Nearly all the new issues so far this year are specialised in some way – single country, smaller companies, privatisations or with a split capital structure. Country funds, such as new trusts for Taiwan and Israel, give institutions a way into markets which would otherwise be inaccessible or not cost effective to research.

Investment trust shares traditionally trade at a discount to their net asset value. Mr Lewis Aaron, investment trust analyst at SG Warburg, says discounts are at their narrowest for 20 years, and many trusts are at a premium. Even Foreign & Colonial, the oldest and largest investment trust, has been trading at a premium, off and on, for the first time since 1972.

Buying investment trust shares at a premium is an expensive way into the stock market – with some trusts, you would currently pay 15 per cent more for the shares than the underlying assets are worth. It is also risky, as the premium can be wiped out in a day if sentiment changes.

With new issues, however, investors can get the same assets for virtually no added cost. Most new trusts issue free warrants, often one for every five shares, which acquire their own value and compensate for the impact of issue expenses. The same is true for conversion share issues by existing funds, such as that currently underway for the Fleming Japanese trust. As long as trusts are trading at a premium, new issues will keep on flowing.

The question now is whether the current climate can be sustained. A stock market crash would obviously eliminate discounts, but the real threat to fundamental demand is interest rates.

If interest rates went back to 10 per cent, individuals who had been putting £100 a month into investment trust savings schemes could withdraw it all and go back to the building society. "That could push prices back to a discount quite quickly," says Mr Sidebottom. Even so, higher interest rates would not necessarily mean the end of investment trusts' new-found popularity with private investors.

"I think the equity market may have made a lot of permanent converts from this period of low interest rates," he says. Private investors may switch much of their money back onto deposit when interest rates rise again, but they may have overcome their fear of the markets sufficiently to leave a portion of their savings in investment or unit trusts.

Largest UK investment trust launches of last 3 years

Trust	Year	£m gross
Mercury European Priv	1994	max 575
Kleinwort European Priv	1994	500.0
Mercury World Mining	1993	425.8
London Insurance Market	1993	280.0
M&G Income	1991	246.5
M&G Recovery	1992	129.8
HTR Japanese Smaller Cos	1993	100.0
Schroder Split Fund	1993	100.0

Source: NatWest Markets/AITC

Moving into a new and bigger league

By Bethan Hutton

The unprecedented demand for shares in the European privatisation trusts being launched by Kleinwort Benson and Mercury Asset Management is good news for both fund management groups. Managing such large amounts of money, however, could bring its problems, particularly if the managers were not expecting to be operating on that scale.

Between them, the two trusts will be bigger than all the existing UK-listed general European investment trusts put together. The largest fund in the sector at the moment is the Fleming Continental European fund, with assets of £236.3m.

Mercury has more than £55bn of assets under management, while Kleinwort Benson has £12bn. Although neither group has an existing European investment trust, both have unit trusts in that area. Their performance is largely lacklustre.

Kleinwort Benson's European trust, which had assets of £104m at the end of last year, ranked 103 out of 125 in its sector in the year to January 1, and 78 out of 92 over five years. Kleinwort's European Special trust is smaller, at about £20m, but its performance record is similar.

Mercury's European Growth trust, which has assets of £203.5m, ranked 51 over one year and 42 over five years.

The Mercury New Europe trust, run by the same manager as the privatisation trust, Mr Paul Harwood, was only launched in March 1992, but ranked a slightly more encouraging 13 over one year. It has a net asset value of more than £40m.

Mr Harwood has been specialising in European equities since 1991, but before that his career at Mercury and Newton Investment Management was mostly in UK equities and fixed interest. He will be assisted by Mercury's 15-person European team, who are also responsible for the unit trusts and institutional funds.

The day-to-day manager and stock selector for the Kleinwort trust is to be Ms Vicky Sleddon. She has been working in European equities since 1990, managing institutional equity accounts, a Spanish equity fund and a convertible bond fund, but this is her first large European retail fund. Overall investment strategy will be the responsibility of Mr Kenneth King, head of international equities. He has been at Kleinwort since 1989, and was previously with NM Rothschild.

INTERNATIONAL COMPANIES AND FINANCE

Volvo dismisses suggestions of a Saab alliance

By Hugh Carnegy in Stockholm

Volvo, the Swedish motor manufacturer, has brushed off suggestions from its domestic rival Saab Automobile that the two companies should discuss co-operation following the collapse of Volvo's plans to merge with France's Renault.

"It is not on the agenda at all," Volvo said yesterday.

Saab's British chief executive, Mr Keith Butler-Wheelhouse, last month said he was open for discussion on common development and production of car components. He said he had spoken to Mr Lennart Jeansson, a top Volvo executive, about the possibility of working together "on a range of things".

Mr Jeansson acknowledged this week that Volvo and Saab – which is jointly owned by General Motors of the US and Sweden's Saab-Scania – already co-operated through their use of a number of common Swedish subcontractors.

However, he said there was "not much" potential for extending this. He suggested any project offering real cost savings would mean Volvo and Saab models would have to be made in the same plant, and this was unrealistic.

Mr Jeansson drove home his point with a mixed, but apposite, metaphor referring to a failed attempt at co-operation in the 1970s. "Saab left us on the church steps. Since then so much has happened. Now the train has gone," he told a seminar of business students in Stockholm.

Volvo shares fell back sharply in Stockholm yesterday, after a week in which they had surged on news that Renault had sold more than half of its 8.27 per cent stake in its Swedish partner.

Swedish investors, seeing returns from a once-again profitable Volvo enhanced by the unravelling of its ties to Renault, have pushed up Volvo shares by some 70 per cent since the merger plan was torn up in December.

However, the heavily-traded Volvo B shares slipped SKr15 yesterday to close at SKr678, well below the week's high point of more than SKr700.

Chairman of Audi forced to leave post

By Christopher Parkes in Frankfurt

Mr Franz-Josef Kortüm, chairman of Volkswagen's Audi subsidiary, was sacked yesterday. His responsibilities for marketing and distribution were taken over immediately by Mr Herbert Demel, technical development director.

As expected, Mr Demel, 40, the youngest member of the quality carmaker's board, was not given the title of chairman. Instead, he will act as board "spokesman", with the same formal rank and powers as his three remaining colleagues.

The sacking was approved unanimously by a meeting of the Audi supervisory board, chaired by Mr Ferdinand Piëch, VW group chairman, in the presence of Mr Kortüm.

A short statement, issued later, said his contract was to be cancelled with immediate effect.

Mr Kortüm's departure followed losses of at least DM200m ($115.6m) last year and clashes with Mr Piëch, who headed Audi until taking charge of the VW group in January 1993.

Mr Piëch discussed the manufacturing site for a planned new Audi model – one of the sources of friction between the two men – at a meeting on Thursday night with Mr Edmund Stoiber, prime minister of Bavaria, Audi's home state.

Mr Stoiber's office said yesterday the regional government would do everything in its power to have the car built in the state, where every seventh job depended on the automotive industry.

It made no reference to Mr Piëch's position on the project, which suggested he is still considering using existing spare capacity, possibly in Belgium or Saxony.

Yesterday's events suggested Audi will be run more as an operating division of the group, under control from its Wolfsburg headquarters, rather than as a stand-alone subsidiary.

Murdoch to sell Boston paper to clear TV deal

By Richard Tomkins in New York

News Corporation, the media group, is to sell the Boston Herald newspaper in the US to clear the way for the acquisition of the city's WFXT television station.

Chairman and chief executive Mr Rupert Murdoch said yesterday the sale was necessary under the Federal Communications Commission's cross-ownership rule prohibiting the joint ownership of a television station and a newspaper in the same market.

The newspaper, with a circulation of about 350,000, competes with the larger Boston Globe. It is being sold for an undisclosed sum to a News Corp executive – Mr Patrick Purcell, the publisher of the Boston Herald and the New York Post – who will now leave News Corp to run the paper.

The WFXT television station is an affiliate of the Fox television network, a News Corp subsidiary. It was previously owned by News Corp but was sold to Boston Celtics Broadcasting in 1990 to comply with the FCC rule. Last autumn, News Corp acquired options to re-acquire WFXT but said the Boston Herald would have to go if the options were exercised.

Mr Rupert Murdoch said yesterday he was "saddened to give up what has become an excellent newspaper and a wonderful resource of executive talent".

Paccar secures its 'king of the road' crown

The US truckmaker is in good shape, writes Frank McGurty

A Kenworth from the Paccar stable: renowned for quality engineering and flashy design

In a cyclical business renowned for heady peaks and deep troughs, Paccar, the US heavy-duty truckmaker, has earned a reputation as a profits powerhouse, as robust as the Kenworth and Peterbilt trucks which roll off its assembly lines.

"Paccar is probably the best-run truckmaker in the world," said Mr Gary McManus, an analyst with Kemper Securities in Chicago. The classic lines of its truck designs have inspired a fierce loyalty among truckers, particularly the independent operators.

The Bellevue, Washington-based company recently announced that net income surged 118 per cent, to $142.2m, in 1993, while sales climbed 31 per cent. Heavy trucks now account for about 70 per cent of revenues.

Indeed, it was a banner year for the entire industry. Orders have jumped as manufacturers and freight-hauling companies anticipated a sharp rise in demand for trucking services.

However, in 1991, when the heavy-duty market was mired in its worst downturn in a decade, Paccar was the only one of the six leading US heavy truck manufacturers to have turned in a profit, analysts say.

That year, Paccar generated net income of $39.7m, on $2.38bn in revenues. By contrast, Navistar International, the only other independent company in the sector, suffered a $165m loss on $3.26bn in revenues. The others – all US operating divisions of big international automotive groups – also fared poorly.

With sales of class 8 vehicles – mostly trucks used to pull heavy goods trailers – now at their highest level since 1979, all six manufacturers are working at full production levels. However, with the significant exception of Freightliner, the aggressive Daimler-Benz subsidiary, only Paccar is generating handsome earnings.

Navistar's position remains uncertain. In its fourth quarter to the end of October, it surprised Wall Street by returning to profitability with net income of $22m, but reported a full-year net loss of $501m. When orders return to a more normal single-digit growth level, it may have difficulty staying in the black, analysts say.

In 1993, Paccar managed to hold its market share steady at between 22 and 23 per cent during a boom driven mostly by large fleets sales. However, the independent operators, Paccar's traditional constituency, have shown more reluctance to buy new equipment, and their number is shrinking.

Fleet operators, which typically place orders of 100 trucks or more, have the clout to command big discounts. As a result, the industry has been reduced to wafer-thin margins during most of the year.

Mr Steve Mook, owner of the New York Metro Peterbuilt dealership in the Flushing section of New York city, says on average he makes only about $1,000 a sale on trucks selling for about $75,000 each.

One of the reasons Paccar has remained profitable, analysts say, is because it has been more successful at resisting pricing pressures.

Mr Mook says Paccar increased its wholesale prices twice in 1993, by 2 per cent and then 4 per cent.

"We have never been out to buy market share," says Mr Stephen Buckner, the company's director of public affairs.

Mr McManus at Kemper Securities, however, says the weak pricing environment and unfavourable customer mix have affected Paccar. He estimates operating margins at 4 per cent, against 6-6.5 per cent in the late 1980s.

Mr David Garrity, who follows the company for McDonald & Co, a Cleveland securities house, says Paccar stays profitable partly because its operations are leaner than most of the competition. Its workforce is younger, and it has avoided the high post-retirement costs which nearly crippled Navistar before it restructured its benefits programme last summer.

Why do Paccar's sales remain so strong despite the price rises?

Its Kenworths and Peterbilts, produced by two separate Paccar divisions, are renowned for quality engineering, as well as their distinctive – and perhaps flashy – styling.

Peterbuilts, in particular, are often dripping with chrome accessories. "When you buy a Peterbuilt, you buy the king of the road," explains Mr Mook.

There is a strong sense of tradition at the Pacific northwest manufacturer, which began at the turn of the century as a railway and logging equipment supplier. Kenworth was acquired in the 1940s, followed by Peterbuilt in 1957. In the late 1980s, Paccar bought Foden Trucks of the UK.

Its chairman and chief executive, Mr Charles Pigott, has been described as a grave figure, resembling a Bible Belt preacher. It is no surprise to learn he is a grandson of the founder, given Paccar's tight-lipped, no-nonsense corporate culture.

As for the current year, analysts say the smaller fleets and owner-operators which began entering the heavy-duty market in the second half of 1993 are expected to help sustain sales momentum through the first six months of 1994. With the new customer mix, margins have started to increase.

Paccar is better placed than its rivals to take advantage of the trend, and its reputation as the king of the road seems to be assured for a while.

Profits rise to 9bn pesos by Telmex disappoints analysts

By David Luhnow in Mexico City

Teléfonos de Mexico, Mexico's largest private company, lifted net profits by 4.5 per cent in real terms last year, to 9bn pesos ($2.9bn).

However, the results of the telephone monopoly failed to meet analysts' expectations, largely because of a 250m-peso write-off on obsolete equipment in the fourth quarter.

Analysts estimated the company's earnings amounted to about $1.40 per American depositary receipt for the fourth quarter, and $5.47 a share for the year, against $4.84 for 1992.

Telmex shares were down slightly in early trading yesterday.

A Mexico City analyst said: "Investors will not be happy with the additional charge." He said the results would dampen the Mexican Bolsa's current bull run.

The company said it installed 867,228 new phone lines during 1993, bringing its total number of lines to 7.62m, a 12.8 per cent jump over 1992.

Telmex is replacing Mexico's outdated telephone system with an fibre-optic system in one of the world's largest projects of its type.

The company posted net sales worth 24.6bn pesos during 1993, up 10 per cent from 22.4bn pesos in 1992. Operating income amounted to 10.28bn pesos for the year, also up 10 per cent.

Analysts said Telmex, owned by Mexican conglomerate Grupo Carso, will need to invest heavily in the next few years to face the opening of long-distance competition in August 1996. Several US-based telecommunications companies have expressed interest in entering the Mexican market. Under the terms of its concession, Telmex remains a monopoly until then.

COMPANY NEWS: UK

The flotation of a mixed bag of shops

House of Fraser heads for stock market with £450m price tag. Neil Buckley reports

Visitors to House of Fraser stores in a few weeks' time will be offered more than just the opportunity to buy new clothes or a sofa. They will be able to register to buy shares in the company.

The group, which stretches from Inverness to Plymouth and includes names like Dickins & Jones, Army & Navy, Rackhams and Binns, will announce on Tuesday that it is to be floated on the Stock Exchange before Easter – somewhat earlier than envisaged when the flotation, minus the flagship Harrods, was proposed last July.

The pathfinder prospectus, which will be published at the end of the month, is expected to show operating profits for the year to January of about £40m. With the group likely to take on about £100m of debt from its current owners, the Fayed brothers, analysts expect the price tag in March to be about £450m – broadly in line with the stores sector price/earnings multiple of about 20.

The flotation will end the involvement of the Fayeds, who acquired the chain, including Harrods, for almost £600m in 1985 after a bitterly-fought battle with Lonrho.

The group's directors admit that the House of Fraser name was damaged in the feud which ensued between the Fayeds and Lonrho, but insist the stories of neglect and starvation of funds to enable the Fayeds to pay off their debts are wrong.

Mr Brian McGowan, the former chief executive of Williams Holdings who was tempted out of retirement aged 48 to become non-executive chairman, says the Fayeds spent £110m on the chain, and closed lossmaking stores, leaving it financially sound and possessing great potential – although more investment is required to bring all stores up to 1990s standards.

Analysts who have been whisked around the chain in recent weeks in Mr Ali Fayed's helicopter have found a mixed bag of shops, operating under 17 different names in 52 cities, ranging from 30,000 to 300,000 sq ft.

The stores also range widely in standard of decor, from Frasers in Glasgow, which recently had £8m lavished on refitting departments around a sparkling new atrium, to the likes of Cavendish House in Cheltenham, where the last real investment was £500,000 in 1984, and before that, in the 1960s.

The result is a somewhat top-heavy chain which makes more than 35 per cent of its £695m turnover from six stores – Rackhams of Birmingham, Kendals of Manchester, Frasers of Glasgow, DH Evans and Dickins & Jones in London, and Howells of Cardiff.

However, only four are now lossmaking and the directors are confident even moderate investment can produce a significant uplift in sales and profits from many stores. Mr Tony Hancock, operations manager, believes all the stores should be able to achieve a 10 per cent return on sales.

To achieve that, the group has a two-prong strategy.

Firstly, it plans a £50m-plus investment programme over three years. The model for the investment will not be Glasgow, but rather the £2.5m spent on a mainly cosmetic refit of Howells of Cardiff, which has lifted annual turnover from £25m two years ago to close to £30m.

The priority is a £3m refit of Dickins & Jones of Regent Street – which will take over from Harrods as the London flagship – including a new atrium and network of escalators and other improvements.

Some 18 other projects this year include revamps of Bournemouth, Lincoln, Birmingham, Manchester, and of Army & Navy in London.

Secondly, the group is revising and slimming down its range, while introducing new designer labels, and trying to strengthen the own-label brands.

"We have a vision of being a fashion-led business, both fashion in the home and fashion apparel," says Mr Andrew Jennings, managing director.

Other services – such as beauty salons, restaurants and left luggage offices – will be introduced. Mr Jennings says these will emphasise the group's value-added image and help it fend off competition from lower-price opposition such as warehouse clubs and discount outlets.

He adds that the group has a strong ABC1 customer profile, often very loyal indeed to their local store, but needs to attract more customers in the 25-35 age group in addition to the 35-59 core.

"We already attract the older Mrs Jones, but we also want the more contemporary Ms Dickins," he says. Convincing the City that such a transformation is possible may not be easy.

Analysts point to the stores' poor sales per square foot figure compared with rivals such as Debenhams and the John Lewis Partnership, and express reservations about the future of the department store format.

"I think it's interesting in terms of what they can do with the stores," said one analyst.

"But I think it will be a steady growth story, not a recovery stock."

Mr Jennings insists the department store sector is coming back into its own. While high street specialists thrived in the late 1980s, they are now saddled with high rents on leasehold properties. Some 92 per cent of House of Fraser's property is freehold or long leasehold, substantially reducing its costs.

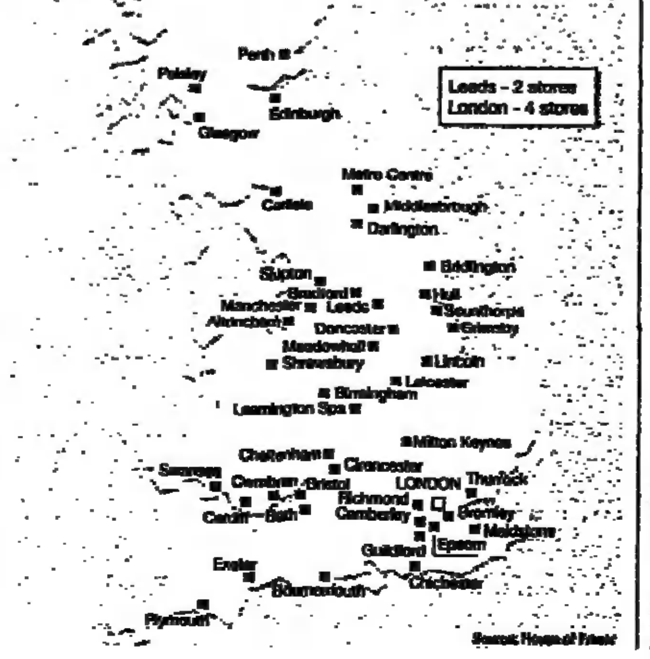
Perhaps most importantly, he says, the chain has no direct competitor. Debenhams specialises in clothing, much of it own-label, for a more downmarket audience, while the John Lewis Partnership is particularly strong in housewares.

"There is a big opportunity for fashion-led department stores selling designer labels," he says. "No one else is doing it."

Ashley Ashwood

The Army & Navy store in London's Victoria Street, which is earmarked for a revamp this year

House of Fraser stores



NEWS DIGEST

Vaux chief criticises beer taxes

"The government's punitive tax policy is making beer part of the black economy," said Sir Paul Nicholson, chairman of Vaux, the Sunderland-based brewer and care homes group.

At the annual meeting he said that Yorkshire and north east England topped the league for hired commercial vans crossing the Channel. "And on every housing estate in the north of England there are people knocking on doors offering cheap beer."

On present trading Sir Paul said the beer and public house market remained very competitive while occupancy rates in the hotels division was up 1.8 percentage points. Care homes were on budget but some local authorities were taking a long time to process new admissions.

The share closed down 7p at 296p.

Recovery continues at Heavitree

The recovery continued in the second half at Heavitree Brewery, the USM-traded pub operator, resulting in profits for the year to October 31 of £1.32m pre-tax, against £496,000.

The Exeter-based company said the increase was the result of improved terms from suppliers, lower interest rates on lower borrowings and a cut in bad debts.

Turnover was static at £8.35m (£8.38m). The pre-tax figure was helped by lower net interest charges of £346,000 (£527,000) and an exceptional credit of £40,000, against a charge last time of £60,000.

Earnings per share came to 11.2p (3.3p) and an increased final dividend of 3p is recommended for a total of 3.6p (3.05p).

English Caledonian asset value ahead

English & Caledonian Investment lifted its net asset value per share by 19 per cent, from 191.2p to 227.2p, in the six months ended December 31.

After tax of £37,000 (£34,000) net available revenue for the half year amounted to £149,000 against £116,000, equivalent to earnings per share of 3.32p (2.59p). An unchanged interim dividend of 1.25p is being paid.

Fleming American shows improvement

The fully-diluted net asset value per share of The Fleming American Investment Trust stood at 326.4p at the December 31 year end, against 279.3p a year earlier.

Gross revenue increased from £4.12m to £6.06m. Available revenue grew from £514,000 to £1.28m.

Earnings per share improved to 1.89p (0.73p) and the final dividend is being raised to 0.65p (0.35p) making a total for the year of 1.5p (0.7p).

Fitch considers structural changes

Fitch, the design services group, said it was considering a number of financial and management structures in respect of which an announcement would be made when appropriate.

A statement from the Fitch board said it had noted the volatility in the share price, which it said, may be due to recent comments in the trade press suggesting possible management reorganisations.

Appleyard £4.23m property disposal

Appleyard Group, the North Yorkshire-based motor dealer, is selling a development property at Redhill, Surrey, to Boots Properties for £4.23m cash.

On completion of the sale in April, Appleyard will enter into a 25-year lease of the motor dealership element of the site at an initial rental of £150,000 a year.

The profit arising from the deal, about £270,000 after disposal costs, will be used to reduce debt.

Hiram Walker buys German distributor

Hiram Walker, the spirits and wine subsidiary of Allied-Lyons, has achieved control of its distribution in Germany by acquiring the majority of the shares of Privat Weinbrennerei JACoBI.

JACoBI has been distributing key Hiram Walker brands, including Courvoisier and Tia Maria, since August 1993. From April it will assume control of additional brands which have been distributed by UNI Handelsgesellschaft.

The consideration has not been disclosed, but indications are that it is well below £50m.

Further expansion for Malaya Group

In its seventh acquisition in just over a year, Malaya Group, the motor retailer, has bought three businesses from the Silverstone Motor Group.

The businesses comprise three franchises: Porsche, Citroën and Nissan, and operate from adjacent premises on one site in St Albans, Hertfordshire.

The consideration, to be satisfied in cash, is the aggregate of £500,000 and the net asset value of the businesses as at December 31 1993, to be ascertained by completion accounts.

Genesis Emerging net assets improve

Genesis Emerging Markets Fund reported a net asset value per participating share of $31.62 (£21) at end-December, against $19.05 a year ago.

The fund reported net deficit of $914,414 for the half year to December 31 compared with net income of $198,031. Losses per share were 12 cents, against earnings of 3.7 cents.

Crossroads Oil capital change

Crossroads Oil Group, the USM-quoted oil and gas exploration company, is planning to eliminate the accumulated deficit on its profit and loss account against the share premium account.

The move, to be put to an extraordinary meeting on March 1, is necessary to allow the payment of a dividend this year, as announced by the company last November.

TransAtlantic property float

The lead sponsor to the TransAtlantic Holdings' flotation of Capital Shopping Centres is Robert Fleming, not its 50 per cent-owned associate Jardine Fleming, as reported yesterday. Morgan Stanley is co-sponsor.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Aluminium price rise boils over

Some of the froth was blown off the recent aluminium price rally yesterday after a Russian industry official cast doubt on his country's ability to deliver promised production cuts in full this year.

At multilateral talks in Brussels last month – called to tackle the world supply glut caused by a flood of Russian aluminium into the west – the Russians agreed to institute over the next six months output cuts amounting to 500,000 tonnes in a full year. But yesterday Mr Andrei Yefimov, head of DEAL, the Russian association of aluminium and titanium plants, estimated that his government would be able to cut production by no more than 300,000 tonnes in 1994.

He said there was strong resistance to cuts from the 850,000-tonnes-a-year Bratsk smelter in eastern Siberia, while smaller smelters in Sayansk and Irkutsk had also refused to sign the deal, Reuter reported from Moscow.

However, Mr Lev Lubensky, commercial director of the small Nadvoitsy aluminium smelter in northern Russia, took issue with Mr Yefimov, saying his statement was premature and caused unnecessary panic in trading circles. "Yefimov's statements go too far," he declared. "It is a very rash thing to say."

Nevertheless, Mr Yefimov's remarks fuelled profit-taking at the London Metal Exchange, where aluminium prices had been pushed to 17-month highs following the announcement of cuts by Southwire and Alumax of the US (40,000 and 17,000 tonnes), Comalco of Australia (36,000 tonnes) and Norsk Hydro of Norway (70,000 tonnes). Three months metal closed yesterday at $1,295.50 a tonne, $22.50 below the peak reached earlier in the day, but still $18.50 up on the week.

US investment funds had been important contributors to aluminium's earlier strength and were similarly influential in driving copper prices to five-month highs – at any rate London analysts could offer no other explanation.

Mr Ted Arnold of the Merrill Lynch financial services group pointed out that the US funds, which had some $25bn under their management, operated on an almost purely technical basis. When the copper market's fundamental weakness (based on an adverse supply/demand balance) reasserted itself the three months price was likely to dip by about $125 a tonne from the present level.

Three months copper touched $1,936 a tonne on Thursday before subsiding by yesterday's close to $1,888.50 a tonne, up $17 on the week.

The fundamental problems of the zinc market were underlined this week when LME warehouse stocks of the metal topped 1m tonnes for the first time. But traders seemed to see that as strengthening the probability of substantial capacity cuts being announced soon by European Union producers under a co-operative plan worked out at recent meetings. *This view was reinforced yesterday when one of the producers told Reuter that the European Commission was likely to be notified of plans for a 10 per cent cut (about 250,000 tonnes) within a few days.* Accordingly, the three months zinc price ended the week $17 higher at $1,033.50 a tonne.

Precious metals prices were towed higher this week by an indomitably buoyant silver market, which put on another 39 cents to a four-year high of $5.42½ a troy ounce. Once again the power of the US funds was behind rise, although traders thought even they might have difficulty pushing through resistance between $5.50 and $5.60.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+9,625	to 2,526,225
Aluminium alloy	-380	to 46,920
Copper	-2,575	to 594,950
Lead	-2,450	to 321,000
Nickel	+1,110	to 129,972
Zinc	+3,325	to 1,007,700
Tin	+530	to 21,315

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993/1994 High	1993/1994 Low
Gold per troy oz.	$387.70	+9.3	$328.00	$405.75	$326.05
Silver per troy oz	366.00p	+30.5	254.00p	366.00p	236.00p
Aluminium 99.7% (cash)	$1277.0	+67	$1206.75	$1277.00	$1023.50
Copper Grade A (cash)	$1887.5	+19	$1534.5	$2375.00	$1108.50
Lead (cash)	$510.5	+4	$289.0	$510.50	$361.50
Nickel (cash)	$5905.0	+190	$5862.5	$6340	$4043.5
Zinc SHG (cash)	$1014.0	+16.5	$1109	$1112	$856.0
Tin (cash)	$5405.0	+196	$5812.5	$6047.5	$4340.0
Cocoa Futures May	£890	-25	£708	£1061	£663
Coffee Futures Mar	$1197	+10	$831	$1297	$836
Sugar (LDP Raw)	$270.8	+11	$209.0	$317.4	$204.5
Barley Futures Mar	£100.65	-2.85	£139.1	£110.30	£101.50
Wheat Futures Mar	£97.80	-2.10	£144.6	£149.45	£99.30
Cotton Outlook A Index	79.10c	+5.35	60.25c	73.75c	54.15c
Wool (64s Super)	378p	+14	405p	403p	319p
Oil (Brent Blend)	$14.535x	+0.405	$18.53	$19.53	$13.64

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Mar.

BASE METALS

LONDON METAL EXCHANGE

[illegible]

Precious Metals continued

[illegible]

GRAINS AND OIL SEEDS

[illegible]

FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1165	-	1165	1160	182	19
Mar	1187	+3	1190	1186	351	17
Apr	1227	+2	1230	1217	1,123	66
Jul	1108	+11	1110	1089	198	14
Oct	1258	+13	-	-	245	-
Jan	1303	+8	-	-	74	-
Total					2,189	118

	Close	Prev
BFI	1187	1166

SPICES
Indonesian mace offerings were scarcethis week, with prices between US$3,400 and $3,500 a tonne, reports Man Producten. The European nutmeg market remained very firm, with bwp at $1,850, shrivels $1,800, sbod $1,875 and mace $3,050-$3,100, all cif. Grenada mace No. 2 was higher again at $2,900 a tonne, cif, for May/June shipment. West Indian suns were at $1,900 a tonne and guns at $1,700, for April shipment. Indonesian cassia prices were unchanged. Madagascan cinnamom was quoted at FFr5.70 a pound and Seychelles at $1,400 a tonne, cif. Mexican pimento pricves were stable at $2,000 a tonne, spot, and $2,050 for shipment. Jamaica spot pimento was at $2,200 a tonne and shipment at $2,100, cif.

ENERGY

[illegible]

PRECIOUS METALS

LONDON BULLION MARKET

[illegible]

SOFTS

[illegible]

COTTON NYCE (50,000lbs; cents/lbs)

Mar	77.23	+0.94	77.65	76.40	19,242	4,950
May	77.55	+0.90	77.95	77.05	18,392	4,138
Jul	77.85	+0.83	77.98	77.12	8,454	1,803
Oct	72.25	+0.95	72.25	71.85	1,893	138
Dec	69.79	+0.74	69.79	69.25	8,794	543
Mar	70.45	+0.80	70.60	70.00	167	1
Total					68,117	11,391

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	103.30	-0.40	104.00	102.70	10,701	1,129
May	106.15	-0.50	107.20	105.65	3,387	353
Jul	109.00	-0.20	109.70	109.00	1,489	129
Sep	111.00	-0.20	111.80	111.50	619	10
Nov	113.00	-0.20	113.70	113.30	459	75
Jan	115.00	-0.20	115.00	115.00	441	2
Total					17,308	1,698

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100)

Feb 4	Feb 3	month ago	year ago
1768.5	1749.3	1667.7	1748.4

CRB Futures (Base: 4/9/56=100)

Feb 3	Feb 2	month ago	year ago
228.73	227.99	227.72	200.15

MEAT AND LIVESTOCK

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	121.1300	-0.360	6.28	6.18	6.67
Belgium		7.250	04/04	104.8800	-0.230	6.57	6.52	6.46
Canada *		7.500	12/03	106.9500	-0.800	6.53	6.33	6.59
Denmark		7.000	12/04	107.0200	-0.200	6.09	6.02	6.07
France	BTAN	8.000	05/98	110.2700	-0.550	5.22	5.10	4.96
	OAT	5.500	04/04	97.2800	-0.240	5.86	5.69	5.71
Germany		6.000	09/03	101.4800	-0.330	5.79	5.73	5.59
Italy		8.500	01/04	100.5300	-0.610	8.42†	8.41	8.59
Japan	No 119	4.800	06/99	107.9320	-0.200	3.06	2.91	2.37
	No 157	4.500	06/03	106.9020	-0.150	3.52	3.46	3.03
Netherlands		5.750	01/04	100.0200	-0.180	5.75	5.67	5.56
Spain		10.500	10/03	117.2500	-0.100	7.88	7.82	8.20
UK Gilts		9.750	01/98	113-15	-10/32	5.85	5.70	5.69
		6.750	11/04	102-15	-13/32	6.39	6.21	6.19
		9.000	10/08	121-06	-8/32	6.71	6.55	6.47
US Treasury *		5.750	08/03	93-14	-17/32	5.83	5.61	5.69
		6.250	08/23	99-01	-5/32	6.32	6.20	6.27
ECU (French Govt)		6.000	04/04	98.2500	-0.320	6.10	5.98	5.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

[illegible]

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
117	0-57	1-43	0-39	1-61
118	0-27	1-14	1-09	2-32
119	0-11	0-55	1-57	3-09

Est. vol. total, Calls 12430 Puts 34851. Previous day's open int., Calls 107428 Puts 89077

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change
Mar	115-29	116-04	+0-05
Jun	114-27	115-00	+0-03
Sep	-	-	-

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Start of two-day informal meeting of EU foreign trade council in Greece.

TOMORROW: Second round of French by-elections. Second round of Finland's presidential election.

MONDAY: Credit business (December). Housing starts and completions (December). US consumer credit (December). US budget for fiscal year 1995 to be presented to Congress. Japan's balance of payments (1993). G10 central bank governors meet in Basle. European parliament in plenary session in Brussels. EU foreign ministers meet in Brussels (until February 8). EU transport council meets informally in Greece. Asia-Pacific coffee producers discuss prices in Jakarta. Financial Times holds conference "Resource Management in the Public Sector" in London.

TUESDAY: Cyclical indicators for the UK economy (January). US wholesale trade (December); Johnson Redbook. European Union ministerial meeting in Brussels with Austria, Finland, Norway and Sweden within the general affairs council to discuss their membership. Annual meeting of the National Farmers' Union in London.

WEDNESDAY: Index of production for Scotland (third quarter).

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. US monetary data. Mr Morihiro Hosokawa, prime minister of Japan, visits Washington. New round of peace talks between Bosnia's three warring parties due to resume in Geneva under UN-EU mediation. Japan's government decides on draft budget for fiscal 1994. Interims from BP and BOC Group.

FRIDAY: Usable steel production (January). Insolvency statistics (fourth quarter). Bankruptcy statistics (fourth quarter). Balance of visible trade (November). Share register survey (1992). Analysis of bank lending to UK residents (fourth quarter). Capital issues and redemptions (January). US retail sales (January); PPI (ex food and energy) (January). Results from Lloyds Bank. Carnival in Rio de Janeiro.

CURRENCIES AND MONEY

MARKETS REPORT

Fed boosts $

[illegible] fortunes of the US dollar [illegible] hectic activity in foreign exchange markets [illegible]terday [illegible] the [illegible] Federal Reserve announced the first tightening of monetary policy in nearly five years, [illegible] *Philip Gawith.*

After the Fed's late afternoon announcement of [illegible] points increase [illegible] the Federal Funds rate, the dollar rose in heavy trading by over [illegible] pfennigs as the market [illegible] heart from the prospect of higher [illegible] and confirmation of [illegible] economic recovery.

Although profit-taking pushed the dollar lower as the London market closed, it later rose again in New York and [illegible] trading yesterday evening above the DM1.76 level, [illegible] strongest level since August 1991 and nearly three pfennigs above Thursday's close of DM1.7314. Yesterday evening sterling was trading [illegible] $1.4750, almost 2¼ cents down on [illegible] close.

The [illegible] put the D-Mark [illegible] and it showed losses on most crosses within the ERM.

Earlier in the afternoon the dollar fell below DM1.7350 when [illegible] lower [illegible] expected US employment figures dashed hopes [illegible] higher interest rates.

Although yesterday's [illegible] by Mr Alan Greenspan, chairman of [illegible] Fed, surprised the [illegible], he had hinted at [illegible] Monday [illegible] told a congressional committee that [illegible] would have to be raised [illegible] point. He said the central bank [illegible] "[illegible] slightly [illegible] degree of [illegible] on reserve positions" in order [illegible] put upward [illegible] on [illegible].

The [illegible] was welcomed in the market as a vindication of the sustainability of economic [illegible] in [illegible]. Mr Greenspan himself stressed this view saying "The decision [illegible] monetary policy in order to [illegible] nomic expansion."

This [illegible] by Mr [illegible] Chertkow, [illegible] of global [illegible] research at UBS in London, who said the [illegible] prompted [illegible] by concerns about existing lev[illegible] of inflation, but "as an insurance policy to ensure that in the longer term inflation [illegible]."

Mr Chertkow said the Fed [illegible] too slowly and [illegible] cutting [illegible] the [illegible] and Mr Greenspan was anxious to [illegible] repeating these errors in the opposite direction.

Another view of [illegible] announcement is that it under[illegible] the determination of Mr Greenspan to show the Fed's independence [illegible] the US administration. Observers [illegible] the timing [illegible] might [illegible]ety on the part of the Fed to tighten policy [illegible] Clinton had time to fill the two vacancies [illegible] currently [illegible] on [illegible] board. Mr Clinton [illegible] saw no [illegible] for [illegible] to be raised.

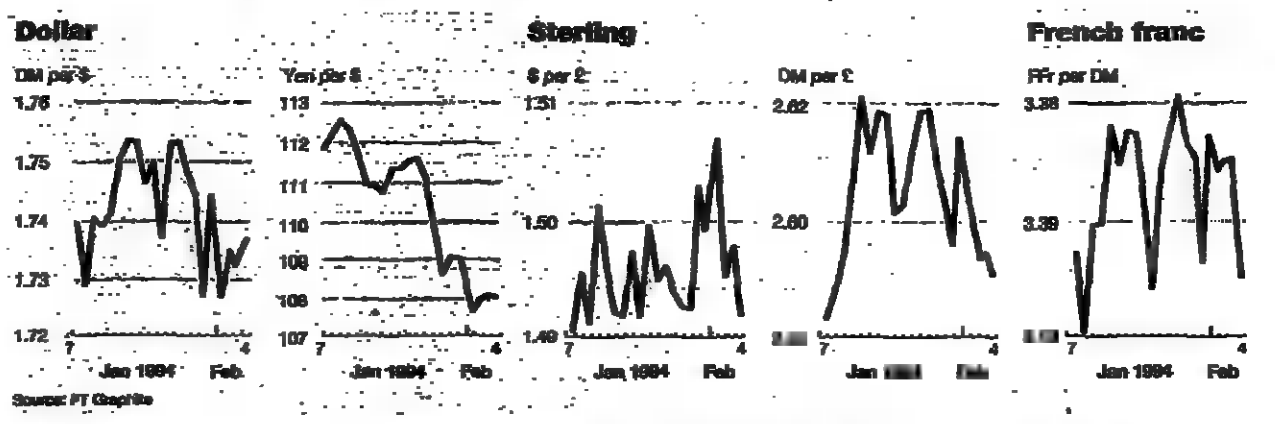
Analysts predict [illegible] tightening will be the first in a string of monetary policy [illegible]sions, [illegible] see [illegible] Federal Funds rate rising by a fur[illegible] points [illegible] year.

The US [illegible] spilled [illegible] Mr Paul Martin, [illegible] minister, responded by saying Canada could [illegible] than the US. This caused the Canadian [illegible] to tumble within [illegible] to C$1.3440 [illegible] Bank [illegible] supporting the currency.

■ The Bank of England yesterday provided the UK money [illegible] revising [illegible] liquidity shortage to [illegible].

■ Pound in New York

Feb 4	Latest	Prev. close
£ spot	[illegible]	1.4875
1 mth	[illegible]	1.4849
3 mth	1.4734	1.4801
1 yr	1.4613	1.4677



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Feb 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	[illegible]	[illegible]	[illegible]	118 - 314	[illegible]	[illegible]	[illegible]	-0.3	[illegible]	[illegible]	-	-	112.7
Belgium	(BFr)	[illegible]	[illegible]	[illegible]	53.6463	53.5405	[illegible]	-1.2	[illegible]	-1.3	[illegible]	-1.0	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	491 - [illegible]	[illegible]	[illegible]	[illegible]	-1.3	[illegible]	-1.0	[illegible]	-0.4	114.2
Finland	[illegible]	[illegible]	[illegible]	353 - 557	[illegible]	[illegible]	-	-	-	-	-	-	[illegible]
France	(FFr)	[illegible]	-0.0141	[illegible]	[illegible]	[illegible]	[illegible]	-1.0	[illegible]	[illegible]	[illegible]	-0.4	[illegible]
Germany	[illegible]	[illegible]	[illegible]	882 - 911	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.1	121.6
Greece	[illegible]	372.578	-0.874	229 - 926	375.073	371.828	-	-	-	-	-	-	-
Ireland	[illegible]	1.0394	+0.0007	379 - 408	1.0434	1.0381	1.0398	-0.5	1.041	-0.8	1.0447	-0.5	103.6
Italy	[illegible]	2509.21	-13.42	735 - 117	[illegible]	[illegible]	[illegible]	-2.8	[illegible]	-3.1	[illegible]	[illegible]	[illegible]
Luxembourg	(LFr)	[illegible]	[illegible]	140 - [illegible]	53.6463	53.5405	[illegible]	-1.2	[illegible]	-1.3	[illegible]	-1.0	113.6
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.0	[illegible]	0.0	[illegible]	[illegible]	117.6
Norway	[illegible]	[illegible]	-0.0289	151 - 255	11.1844	11.0975	11.1168	[illegible]	11.1106	[illegible]	[illegible]	0.0	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	261.749	259.520	[illegible]	[illegible]	[illegible]	[illegible]			-
Spain	(Pta)	[illegible]	[illegible]	[illegible]	211.408	209.922	[illegible]	-3.3	[illegible]	-3.4	[illegible]	-2.7	[illegible]
Sweden	(SKr)	11.7050	-0.0781	939 - 160	[illegible]	[illegible]	[illegible]	-2.4	[illegible]	-1.9	11.877	-1.5	[illegible]
Switzerland	(SFr)	2.1584	-0.0097	549 - 579	[illegible]	[illegible]	[illegible]	1.1	[illegible]	[illegible]	[illegible]	1.4	118.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.7
Ecu	-	1.3317	-0.0035	309 - 324	[illegible]	[illegible]	[illegible]	-1.1	[illegible]	-1.1	[illegible]	[illegible]	-
SDR	-	0.924758	-	-	-	-	-	-	-	-	-	-	-
Americas													
[illegible]	[illegible]	1.4889	-0.0081	883 - 895	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(Cr)	[illegible]	+10.611	351 - 865	741.000	721.000	-	-	-	-	-	-	-
Canada	(C$)	[illegible]	[illegible]	813 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2	91.1
Mexico (New Peso)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
USA	($)	[illegible]	[illegible]	913 - 923	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4	[illegible]
Pacific/Middle East/Africa													
Australia	[illegible]	[illegible]	[illegible]	849 - 877	[illegible]	[illegible]	[illegible]	0.9	[illegible]	0.7	[illegible]	[illegible]	-
Hong Kong	(HK$)	[illegible]	[illegible]	181 - 273	[illegible]	11.4772	11.501	[illegible]	[illegible]	[illegible]	[illegible]	1.4	-
India	(Rs)	[illegible]	[illegible]	746 - 172	47.0000	46.6130	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	[illegible]	135 - 362	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.1	[illegible]	[illegible]	181.7
Malaysia	(M$)	[illegible]	-0.0201	[illegible]	[illegible]	4.1152	-	-	-	-	-	-	-
New Zealand	[illegible]	2.6110	[illegible]	085 - 135	[illegible]	[illegible]	[illegible]	-1.3	[illegible]	-1.1	[illegible]	[illegible]	-
Philippines	(Peso)	41.1738	[illegible]	616 - 859	41.4890	40.8618	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5947	[illegible]	924 - 969	[illegible]	[illegible]	-	-	-	-	-	-	-
Singapore	(S$)	[illegible]	[illegible]	677 - 705	[illegible]	2.3675	-	-	-	-	-	-	-
S Africa (Com.)	(R)	[illegible]	-0.0185	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
S Africa (Fin.)	[illegible]	[illegible]	-0.0722	505 - 699	6.5693	[illegible]	-	-	-	-	-	-	-
South Korea	(Won)	[illegible]	-4.93	422 - 533	1210.04	[illegible]	-	-	-	-	-	-	-
Taiwan	[illegible]	39.3612	[illegible]	405 - 818	39.5300	39.230	-	-	-	-	-	-	-
Thailand	(Bt)	[illegible]	-0.1428	939 - [illegible]	38.0770	37.7860	-	-	-	-	-	-	-

†SDR rate for Feb.3. Bid/offer spreads in the Pound Spot table [illegible] only the last three decimal places. Forward rates are not directly [illegible] to the market but are implied by current interest rates. Sterling index calculated [illegible] Bank of England. Base average 1985 = 100. Bid, Offer and Mid [illegible] in both this and the Dollar Spot table [illegible] from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
[illegible]													
[illegible]	(Sch)	12.2145	+0.0455	120 - 170	12.2580	[illegible]	[illegible]	-2.5	[illegible]	-2.1	[illegible]	-1.4	[illegible]
[illegible]	(BFr)	35.7700	-0.025	500 - [illegible]	[illegible]	[illegible]	[illegible]	-3.4	[illegible]	-3.4	[illegible]	-2.3	[illegible]
Denmark	(DKr)	6.7395	+0.0137	385 - 405	[illegible]	[illegible]	6.758	[illegible]	[illegible]	-3.0	[illegible]	-1.8	103.2
[illegible]	[illegible]	5.5272	+0.0136	[illegible]	[illegible]	[illegible]	[illegible]	-1.4	5.5452	-1.3	5.5857	-1.1	77.2
[illegible]	(FFr)	5.8920	+0.015	[illegible]	[illegible]	[illegible]	[illegible]	-3.1	5.9357	-3.0	5.999	-1.8	104.1
Germany	(D)	1.7380	+0.0046	[illegible]	[illegible]	[illegible]	1.74	-2.7	1.747	-2.5	1.7619	-1.5	103.5
Greece	(Dr)	248.750	+0.45	600 - 900	250.750	248.100	253.1	-16.1	260.25	-18.8	290.75	-16.4	71.3
[illegible]	(£)	1.4354	-0.0088	338 - 369	1.4381	1.4297	1.4322	2.7	1.4257	2.7	1.4081	1.9	-
[illegible]	(L)	1682.00	-2	126 - 275	[illegible]	[illegible]	[illegible]	-4.9	1703.5	-5.1	1749.5	-4.0	78.8
Luxembourg	(LFr)	35.7700	-0.025	[illegible]	35.9600	35.7000	[illegible]	-3.4	36.07	-3.4	36.61	-2.3	103.0
[illegible]	(Fl)	1.9440	+0.0038	435 - 445	[illegible]	[illegible]	[illegible]	-2.1	1.9536	-2.0	1.9645	-1.1	103.1
Norway	(NKr)	7.4543	+0.0116	[illegible]	[illegible]	[illegible]	[illegible]	-1.7	7.486	-1.7	7.5443	-1.2	94.5
[illegible]	(Es)	174.600	+0.2	500 - 700	175.350	174.330	[illegible]	[illegible]	177.6	-6.9	185.1	-6.0	94.1
[illegible]	[illegible]	140.575	[illegible]	450 - [illegible]	[illegible]	[illegible]	[illegible]	-5.4	142.46	-5.4	148.38	-4.1	80.4
[illegible]	[illegible]	7.8462	[illegible]	414 - 510	[illegible]	[illegible]	[illegible]	[illegible]	7.9252	-4.0	8.0787	-3.0	83.1
[illegible]	[illegible]	1.4455	[illegible]	450 - 460	[illegible]	[illegible]	[illegible]	-1.0	1.4482	-0.8	1.4465	-0.1	105.1
UK	(£)	1.4918	-0.0082	913 - 923	[illegible]	[illegible]	1.4892	2.1	1.4844	2.0	1.4718	1.4	[illegible]
Ecu	-	1.1209	-0.0017	[illegible]	[illegible]	[illegible]	1.1173	3.2	1.1117	3.1	1.0992	1.9	-
SDR	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
[illegible]													
[illegible]	[illegible]	[illegible]	+0.0001	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
[illegible]	(Cr)	[illegible]	[illegible]	435 - 440	[illegible]	[illegible]	-	-	-	-	-	-	-
[illegible]	(C$)	1.3289	+0.0021	286 - 291	1.3293	1.3270	[illegible]	-0.5	[illegible]	-0.4	[illegible]	-0.2	[illegible]
[illegible] (New Peso)		3.1080	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.6
Pacific/Middle East/Africa													
[illegible]	(A$)	[illegible]	+0.0004	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4024	-1.1	[illegible]	-0.8	[illegible]
[illegible]	[illegible]	7.7240	[illegible]	[illegible]	7.7275	7.7235	7.7255	-0.2	7.726	-0.2	[illegible]	-0.2	-
[illegible]	[illegible]	[illegible]	+0.0013	[illegible] - 725	31.3725	31.3650	[illegible]	-2.6	[illegible]	-2.6	-	-	-
[illegible]	[illegible]	[illegible]	+0.045	050 - 130	[illegible]	107.950	[illegible]	0.9	107.78	1.1	106.24	1.7	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.7895	[illegible]	[illegible]	[illegible]	2.789	1.1	[illegible]	-0.5	-
New Zealand	[illegible]	1.7503	-	492 - 513	[illegible]	[illegible]	[illegible]	-1.1	[illegible]	-1.4	1.7708	-1.2	-
Philippines	(Peso)	27.6000	-0.05	000 - 000	27.9000	27.4000	-	-	-	-	-	-	-
[illegible]	(SR)	[illegible]	-	500 - 505	[illegible]	[illegible]	[illegible]	-0.8	3.7571	-0.7	[illegible]	-0.7	-
[illegible]	[illegible]	[illegible]	+0.0016	[illegible]	[illegible]	[illegible]	[illegible]	0.9	[illegible]	[illegible]	1.5971	-0.6	-
S Africa (Com.)	(R)	3.4193	+0.0018	185 - 200	[illegible]	3.4130	3.4368	-6.0	[illegible]	-5.4	[illegible]	-4.5	-
S Africa (Fin.)	(R)	4.3975	-0.03	925 - 025	4.4350	[illegible]	[illegible]	-6.6	[illegible]	[illegible]	-	-	-
South Korea	(Won)	[illegible]	+0.05	500 - 700	807.700	807.500	[illegible]	-4.5	814.1	-3.2	832.6	-3.1	-
Taiwan	(T$)	[illegible]	[illegible]	800 - 900	26.3900	26.3800	[illegible]	-4.7	26.685	-3.8	-	-	-
[illegible]	(Bt)	25.4200	+0.01	100 - 300	25.4300	[illegible]	[illegible]	-3.3	25.63	-3.3	25.77	-1.4	-

†SDR rate for Feb.3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.3. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	[illegible]	16.47	[illegible]	[illegible]	4702	[illegible]	[illegible]	488.2	393.0	21.88	[illegible]	1.874	3.714	2.796	302.1	2.486
Denmark	[illegible]	[illegible]	10	8.745	2.578	[illegible]	[illegible]	[illegible]	[illegible]	259.2	[illegible]	11.64	2.145	0.995	1.972	1.486	160.4	1.325
France	[illegible]	[illegible]	11.43	10	2.948	1.182	[illegible]	3.300	12.65	296.4	[illegible]	13.31	2.453	1.138	2.255	1.698	183.4	1.516
Germany	[illegible]	[illegible]	[illegible]	[illegible]	1	0.401	[illegible]	1.120	[illegible]	[illegible]	[illegible]	4.519	[illegible]	0.386	0.768	0.576	[illegible]	0.514
Ireland	(I£)	51.56	9.673	[illegible]	2.492	1	2415	2.791	[illegible]	250.7	[illegible]	[illegible]	2.075	[illegible]	1.908	1.436	155.1	1.282
Italy	[illegible]	2.127	[illegible]	0.350	[illegible]	0.041	[illegible]	0.116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.079	0.059	6.425	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	3.031	[illegible]	[illegible]	[illegible]	1	3.834	89.83	[illegible]	[illegible]	0.743	[illegible]	[illegible]	0.514	55.59	0.459
Norway	[illegible]	[illegible]	[illegible]	[illegible]	2.328	0.934	[illegible]	[illegible]	[illegible]	234.3	[illegible]	[illegible]	[illegible]	0.899	1.782	1.342	145.0	1.198
Portugal	[illegible]	[illegible]	3.858	[illegible]	0.994	0.399	[illegible]	1.113	4.269	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.761	0.573	61.88	0.511
Spain	(Pta)	25.45	[illegible]	4.191	[illegible]	0.495	[illegible]	1.383	5.303	124.2	100.	5.579	1.038	0.477	0.946	0.711	76.87	0.635
Sweden	[illegible]	[illegible]	8.590	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	222.8	179.2	10	1.843	0.855	1.694	1.275	137.8	1.138
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	0.919	[illegible]	[illegible]	0.618
UK	(£)	53.36	[illegible]	[illegible]	[illegible]	[illegible]	2509	[illegible]	11.12	[illegible]	209.7	11.70	[illegible]	1	[illegible]	[illegible]	161.2	1.332
Canada	(C$)	26.92	[illegible]	[illegible]	[illegible]	0.524	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.903	[illegible]	0.505	1	0.753	[illegible]	0.672
US	[illegible]	[illegible]	6.736	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	174.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	108.0	0.893
Japan	(Y)	[illegible]	62.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]
Ecu		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.177	8.346	[illegible]	[illegible]	[illegible]	[illegible]	0.751	[illegible]	1.120	121.0	1

Yen per 1,000, Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 4	Ecu cen. rates	Rate [illegible]	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	[illegible]	[illegible]	[illegible]	-3.54	5.90	24
[illegible]	2.19672	[illegible]	[illegible]	-0.77	2.94	-
Belgium	[illegible]	[illegible]	[illegible]	-0.28	2.43	-
[illegible]	[illegible]	1.94525	+0.00137	-0.23	2.38	2
France	[illegible]	6.60132	[illegible]	[illegible]	1.18	-6
[illegible]	[illegible]	195.631	[illegible]	1.44	0.70	-10
[illegible]	[illegible]	7.55243	+0.00336	1.55	[illegible]	-11
[illegible]	154.250	[illegible]	-0.469	2.15	0.00	-15
NON ERM MEMBERS						
Greece	264.513	279.901	+0.178	5.82	-3.47	-
Italy	1793.19	[illegible]	-6.45	5.15	-2.85	-
UK	[illegible]	[illegible]	[illegible]	[illegible]	7.36	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5728	0.5741	+0.0014	0.5770	[illegible]	62,276	138,140
Jun	0.5697	0.5713	+0.0013	0.5725	[illegible]	498	8,958
Sep	-	0.5695	-	0.5695	-	[illegible]	[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9255	[illegible]	[illegible]	0.9280	[illegible]	[illegible]	[illegible]
Jun	0.9275	[illegible]	[illegible]	0.9310	0.9275	306	6,891
[illegible]	-	-	-	-	-	-	-

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6888	[illegible]	+0.0011	[illegible]	[illegible]	[illegible]	[illegible]
Jun	0.6896	[illegible]	[illegible]	0.6905	0.6896	100	711
Sep	-	-	-	-	-	-	-

■ STERLING FUTURES (IMM) $62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	1.4800	1.4850	+0.0108	[illegible]	1.4800	599	1,641
Sep	-	1.4800	-	[illegible]	-	2	14
Dec	-	-	-	-	-	-	-

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.400	9.30	9.05	8.97	-	0.04	0.42
1.425	6.85	6.69	6.61	-	0.08	0.92
1.450	4.37	4.45	4.82	-	0.30	1.73
1.475	2.07	2.59	3.15	0.12	0.89	2.90
1.500	0.49	1.23	1.94	0.99	2.02	4.54
1.525	0.02	0.47	1.09	2.92	3.70	6.49

Previous day's vol., Calls 23,664 Puts 26,055. Prev. day's open int., Calls 466,960 Puts 60,216

WORLD INTEREST RATES

MONEY RATES

February 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	7¼	6⅞	6⅝	[illegible]	[illegible]	[illegible]	5.25	-
week ago	7¼	6⅞	6⅝	6⅞	6⅛	7.40	5.25	-
France	[illegible]	[illegible]	6⅝	6⅛	5¾	6.20	-	7.75
week ago	6⅛	6½	[illegible]	6⅛	5¾	6.20	-	7.75
Germany	[illegible]	[illegible]	[illegible]	5.60	5.28	6.75	5.75	6.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	8.92
week ago	8¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	8.92
Netherlands	5.53	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	5.56	5.46	5.26	5.03	4.87	-	5.25	-
Switzerland	4¼	4¼	4⅛	3⅞	3⅝	6.625	4.00	-
week ago	4¼	4¼	4⅛	3⅞	3⅝	6.625	4.00	-
US	3	3⅛	3⅛	3⅛	3⅝	-	3.00	-
week ago	3	3⅛	3⅛	3¼	3⅝	-	3.00	-
Japan	2¼	2⅛	2⅛	2	-	-	1.75	-
week ago	2¼	2⅛	2⅛	2	-	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	3¼	3⅝	[illegible]	[illegible]	-	-	-
week ago	-	3¼	3⅝	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	3.16	3.18	3.31	[illegible]	-	-	-
week ago	-	3.18	3.20	3.28	[illegible]	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅜	[illegible]	-	-	-
week ago	-	3⅛	3⅛	3⅜	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. [illegible] rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 4	Short term	7 Days notice	One month	Three months	Six months	One year
Belgian Franc	7 - 6⅞	6⅞ - 6⅝	6⅞ - 6⅝	6⅝ - 6½	6⅝ - 5⅞	6⅛ - 5⅞
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	6⅛ - 6	6⅛ - 6	6 - 5⅞	5⅞ - 5¾	[illegible]	[illegible]
Dutch Guilder	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼	5⅛ - 5	4⅞ - 4¾
French Franc	6⅝ - 6⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	10⅝ - 10¼	10¼ - 10⅛	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	9⅝ - 8⅞	9⅛ - 8⅞	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	5⅝ - 5⅛	5⅝ - 5⅛	5⅛ - 5	5⅛ - 5	[illegible]	[illegible]
Swiss Franc	4⅛ - 3⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	3⅝ - 3⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	3⅛ - 3	3⅛ - 3	3⅛ - 3	3⅜ - 3¼	3⅝ - 3½	[illegible]
Italian Lira	10 - 8	8⅞ - 8⅝	[illegible]	[illegible]	[illegible]	[illegible]
Yen	2¼ - 2⅛	2⅛ - 2	2⅛ - 2	2⅛ - 2	2 - 2	[illegible]
Asian $Sing	3⅛ - 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.90	93.92	-0.01	93.95	[illegible]	[illegible]	[illegible]
Jun	94.41	94.45	-0.01	94.43	[illegible]	19,499	72,224
Sep	94.77	94.81	-0.01	94.83	94.77	[illegible]	[illegible]
Dec	95.08	95.06	-0.04	95.10	95.03	6,769	[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.49	96.54	+0.02	96.49	96.48	501	5356
Jun	96.19	96.24	-	96.19	96.18	585	2877
Sep	95.88	95.93	-	95.88	95.88	200	1408
Dec	95.50	95.56	+0.01	95.56	95.50	401	690

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.31	[illegible]	-	[illegible]	94.28	[illegible]	223259
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	64544	195473
[illegible]	[illegible]	95.07	-0.01	95.12	[illegible]	35060	[illegible]
Dec	95.22	95.25	[illegible]	[illegible]	[illegible]	23356	[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	91.80	[illegible]	91.80	91.65	14168	[illegible]
Jun	[illegible]	92.26	-0.02	92.29	92.25	[illegible]	[illegible]
Sep	[illegible]	92.70	-0.03	92.72	92.68	[illegible]	22993
Dec	[illegible]	92.96	-0.03	92.99	92.95	[illegible]	[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	96.21	[illegible]	[illegible]	[illegible]	2869	[illegible]
Sep	[illegible]	96.47	[illegible]	[illegible]	[illegible]	[illegible]	6929
Dec	[illegible]	[illegible]	[illegible]	96.40	[illegible]	[illegible]	2295

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	94.39	94.39	-0.01	94.40	94.34	1251	10204
Sep	94.75	94.76	-0.01	94.78	94.73	408	8726
Dec	[illegible]	[illegible]	[illegible]	95.04	95.00	118	[illegible]

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	96.47	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	95.49	[illegible]	227,449

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.77	96.83	+0.06	96.86	96.75	8,182	21,124
Jun	96.49	96.55	+0.06	96.58	96.48	1,265	12,282
Sep	96.22	96.26	+0.05	96.26	96.21	238	3,592

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9425	0.11	0.63	0.84	0.04	0.02	0.02
9450	0.03	0.32	0.62	0.21	0.08	0.05
9475	0	0.16	0.41	0.43	0.15	0.09

Est. vol. total, Calls 13892 Puts 11453. Previous day's open int., Calls 215093 Puts 148074

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
[illegible]	0.08	0.37	0.53	0.04	0.03	0.04
[illegible]	0.03	0.18	0.35	0.25	0.07	0.09
[illegible]	0	0.05	0.17	[illegible]	0.21	0.18

Est. vol. total, Calls 200 Puts 280. Previous day's open int., Calls 1399 Puts 2185

UK INTEREST RATES

LONDON MONEY RATES

Feb 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4⅞ - 2	5⅛ - 5	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5¼	5⅛ - 5¼
Sterling CDs	-	-	5⅛ - 5⅛	5⅛ - 5⅛	5¼ - 5⅛	5¼ - 5⅛
Treasury Bills	-	-	5⅛ - 5⅛	5 - 4⅞	-	-
Bank Bills	-	-	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 4⅞	-
Local authority deps.	5⅛ - 4⅞	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5¼	5⅛ - 5¼
Discount market deps.	4⅞ - 3	5⅛ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1¾	4½	4	3¾	3½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1pc. Ave. tender rate of discount 4.8203pc. ECGD fixed rate Stg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Scheme II & III: 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Scheme IV & V 5.434pc. Finance House Base Rate 6pc from Feb 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.60	94.61	-0.02	94.64	94.58	15981	104029
Jun	94.80	94.76	-0.02	94.82	94.70	34821	117754
Sep	94.78	94.73	-0.02	94.82	94.70	8118	57544
Dec	94.75	94.76	-0.04	94.77	94.70	7291	73637

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9450	0.13	0.33	0.42	0.04	0.07	0.14
[illegible]	0.04	0.16	0.25	0.16	0.15	0.22
[illegible]	0.01	0.07	0.15	0.40	0.31	0.37

Est. vol. total, Calls 4254 Puts [illegible]. Previous day's open int., Calls 154291 Puts [illegible]

BASE LENDING RATES

Adam & Company	5.5	Duncan Lawrie	5.5
Allied Trust Bank	5.5	Exeter Bank Limited	6.5
AIB Bank	5.5	Financial & Gen Bank	6
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5
Bank of Baroda	5.5	Girobank	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5
Bank of India	5.5	Heritable & Gen Inv Bk	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5
Barclays Bank	5.5	C. Hoare & Co	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5
●Brown Shipley	5.5	Julian Hodge Bank	5.5
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5
Citibank NA	5.5	Lloyds Bank	5.5
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5
Clydesdale Bank	5.5	Midland Bank	5.5
The Co-operative Bank	5.5	● Mount Banking	6
Coutts & Co	5.5	NatWestminster	5.5
Credit Lyonnais	5.5	●Rea Brothers	5.5
Cyprus Popular Bank	5.5	● Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	5.5
		Royal Bk of Scotland	5.5
		●Smith & Williamson Secs	5.5
		Standard Chartered	5.5
		●Unitd Bk of Kuwait	5.5
		Unity Trust Bank Plc	5.5
		Western Trust	5.5
		Whiteaway Laidlaw	5.5
		Wimbledon & Sth West	6.5
		Yorkshire Bank	5.5

● Members of [illegible] Banking & Securities [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to [illegible] pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. [illegible] Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £138[illegible] 139 139[illegible] 139¼ 139½

Exchequer 10½% Stk 2005 - £132[illegible] (2Fe94)

[illegible] Export Finance Corp PLC 11¼% Gtd Nts 1994 (Br £10000&100000) - £100.147 .17 (28Ja94)

Corporation and County Stocks

Birmingham Corp 3% Stk 1947(or after) - £37 [illegible]

[illegible]

Kansai Electric Power Co Inc 7⅛% Nts 1998 (Br £ Var) - £104[illegible]

Kyushu Electric Power Co Inc 6⅝% Bds 2003(Br £ Vars) - $100.8ф 101¼ф

Ladbroke Group PLC 5⅛% Subord Cnv Bds 2004(Br£1000&5000) - £133½ (2Fe94)

Ladbroke Group PLC 8⅞% Bds 2003 (Br [illegible] Var) - £108¾ (31Ja94)

Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £107¾ [illegible]

Land Securities PLC 9½% Bds 2007(Br£1000&10000) - £116[illegible] (31Ja94)

Land Securities PLC 9⅞% Cnv Bds 2004 [illegible] - £1[illegible] (2Fe94)

[illegible]

Hanson PLC 10⅜% Bds 1997 (Br £Var) - £112¾ ⅞ 3

Hickson Capital Ld 7% Cnv Cap Bds 2004 (Reg) - 130½ (2Fe94)

Imperial Chemical Industries PLC 10% Bds 2003(Br£1000&10000) - £118½ ⅞ (28Ja94)

International Bank for Rec & Dev 9¼% Bds 2007 (Br£5000) - £121 (1Fe94)

Japan Development Bank 7% Gtd Bds 2000 (Br £ Var) - £105⅛ (31Ja94)

Jukla Develop Public Co Ld 4.25% Cnv Bds 2003(Reg Denom $1000) - £101½ф

Listed Companies(excluding Investment Trusts)

[illegible]

Corporation Stocks - Foreign

[illegible]

Sterling Issues by Overseas Borrowers

Asian Development Bank 10¼% Ln Stk [illegible] - £131¼ (28Ja94)

Australia(Commonwealth of) 9½% Ln Stk 2012(Reg) - £122¾ (1Fe94)

Australia(Commonwealth of) 11⅜% Ln Stk 2015(Reg) - [illegible]41

Bank of Greece 10¾% Ln Stk 2010(Reg) - £120¾ (31Ja94)

Bank of Greece 10¾% Ln Stk 2010(Br) - £118 (28Ja94)

Caisse Nationale Des Autoroutes 16% Gtd Ln Stk 2006 - £178 (2Fe94)

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

Investment Trusts

[illegible]

Miscellaneous Warrants

[illegible]

USM Appendix

[illegible]

Veterinary Drug Co PLC Ord £1 - £3.3 (28Ja94)

[illegible]

Westbix Ld "A" NonV Ord 25p - £15½ 16 (1Fe94)

[illegible] International [illegible] Ord 1p - [illegible] Fe94)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Alatace Explorations A$0.82 [illegible]

Aust. Development 112 (2.2)

Bank of East Asia HK$55.231фHK$55

Cape Range Oil A$0.774 (1.2)

Churchill Resources A$0.4166 (2.2)

[illegible] Developments $7.175

Cons. Exploration A$0.111 (2.2)

Cons. Resources 38ф (1.2)

Dainippon [illegible] (1.2)

Devex A$0.6246

Energy Resources Aust. [illegible] A$1.69фA$1.68

Far East [illegible] (31.1)

Forest Laboratories £32.40 (31.1)

General Securities Inv. S$2.38 (1.2)

Hunter Resources A$0.6537,0.6575

Keystone Intl. $27⅛ф

Kulim Malaysia 84 [illegible]

Leighton Hldgs. A$[illegible]

Malayan Cement RM4[illegible] (1.2)

Malaysia Airline System [illegible] 234115ф (1.2)

[illegible] Plantations 50ф (1.2)

[illegible] Group FL7 (1.2)

Murray & Roberts Hldgs. £11¼ (2.2)

[illegible] Search 48

Orbit Oil & Gas 100 (28.1)

[illegible]

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

MARKET REPORT

Equity market upset by rise in US interest rates

By Steve Thompson

A generally uncomfortable session in the London stock market turned into a general retreat just before the close of business as the US Federal Reserve confirmed the market's fears by signalling a tighte[illegible] of its monetary policy.

The Fed's move, increasing its Fed Funds rate by [illegible] of one per cent, although by [illegible] means unexpected, proved the final [illegible] for a UK equity struggling [illegible] maintain its balance. Down 8.1 points [illegible] the futures market closed [illegible] 4.10pm, the FT-SE 100 continued [illegible] ground and [illegible] trading around [illegible] points [illegible] as the Fed [illegible] hit the markets.

[illegible] official [illegible] the FT-SE 100 was 16.1 lower [illegible] 3,475.4. Such [illegible] volume of business being put through [illegible] market [illegible] the news, with most of it on the sell side, that dealers said the 100 index would almost certainly have been another 10 points off shortly after 4.30pm. Late trading in the future, dealers said, would have produced a fall of around 39 points on the FT-SE 100.

The instant reaction of market strategists to the US move tended to favour the shift in policy. At Charterhouse Tilney, Mr Richard Jeffrey [illegible] the rise in US rates was "not unexpected. [illegible] happened because [illegible] US [illegible] is moving in the right direction. It's a sign of confidence." He saw [illegible] UK equity market "pausing for breath," and said it would [illegible] hard pressed marketmakers [illegible] to [illegible] some much [illegible] their books; "but I wouldn't [illegible] the market much higher from here," he contin[illegible].

Account Dealing Dates		
*First Dealings:		
Jan 17	Jan 31	Feb 14
Option Declarations:		
Jan 27	Feb 10	Feb 24
Last Dealings:		
Jan 28	Feb 11	Feb 25
Account Day:		
Feb 7	Feb 21	Mar 7

*New time dealings may take place from two [illegible] days earlier.

Mr Robert Buckland at NatWest [illegible] said the interest rate [illegible] was "earlier than we had expected," but that it would "enhance the credibility of [illegible] Fed and keep the long end [illegible] the US bond [illegible] happy but containing inflationary [illegible]sures; [illegible] happy with our [illegible] on the UK equity market."

Another positive view was adopted by Mr Ian Harnett at Strauss Turnbull who spoke of "a pre-emptive strike" and said the Fed stance would be good for bonds and therefore good for equity markets."

The opposite view was forthcoming from Kleinwort Benson's Mr Edmund Warner, who bleakly described the rate rise as "posing the greatest threat to global markets since Saddam Hussein invaded Kuwait; it is just the first of a series of rate rises in the US this year and will choke off the [illegible] funds. We remain very nervous of [illegible] UK equity market."

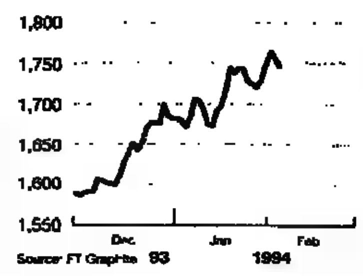
The equity market began [illegible] sion [illegible] relatively good form, [illegible] FT-SE [illegible] modestly higher in relatively quiet trading. The storm clouds began to gather in mid-session, however, and prices fell away for the rest of the day.

Second-line [illegible] came under big selling pressure late in the day. "There is big selling and we could be in for an awkward week," said one marketmaker. The Mid 250 index, which has consistently outpaced the 100 index since the year end, ended the day 6.4 off [illegible] 4,146.4, but remained 80.8 higher on the week. The FT-SE 100 showed a 28 rise [illegible] the same period.

Turnover [illegible] equities tailed [illegible] yesterday, totalling [illegible] as the market fell back. The [illegible] customer business [illegible] Thursday [illegible] a hefty £2.43bn.

There were, however, some outstanding stock performers. The two far [illegible] influenced banks, HSBC and Standard Chartered maintained their exceptional performances, while British Aerospace [illegible] ahead on rumours of a counter-bid [illegible] Rover.

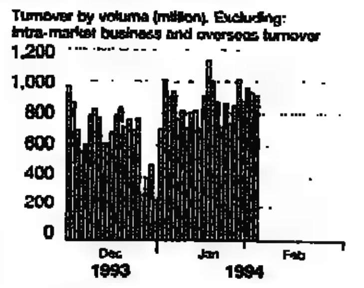
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key indicators

Indices and ratios		
FT-SE Mid 250	4146.4	-6.4
FT-SE-A 350	1760.5	[illegible]
FT-SE-A [illegible]	1748.37	-6.11
FT-SE-A [illegible]	3.24	(3.23)
FT Ordinary index	2669.2	-24.8
FT-SE-A [illegible] p/e	[illegible]	[illegible]
FT-SE [illegible] Fut [illegible]	3475.0	-19.0
10 [illegible] yield	6.44	[illegible]
Long gilt/equity yld ratio:	2.13	(2.12)

FT-SE 100 Index	
[illegible] Feb 4	3475.4
Change over week	+28.0
Feb 3	3491.5
Feb 2	3520.3
Feb 1	3481.5
Jan 31	3491.8
High*	3539.2
Low*	3458.1

*Intra-day high and low for week

TRADING VOLUME

■ Major [illegible] yesterday

EQUITY FUTURES AND OPTIONS TRADING

Footsie futures [illegible] at [illegible] discount [illegible] underlying market and [illegible] largely responsible for dragging it down yesterday. But the new [illegible] on the Mid 250 Index put in a strong performance [illegible] its first trading day.

March opened [illegible] 3,497 and hit 3,475 by the official close, a seven-point discount [illegible] the [illegible] market. In after hours trading, it hit 3,456, almost [illegible] index points [illegible] cash.

The new Mid 250 [illegible] on the OMLX futures market traded at a healthy premium to the underlying index to close at 4,146.40 on turnover [illegible] 1,900 lots. [illegible] was good institutional demand and the spread on [illegible] to around three index points.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	[illegible]	Sett price	[illegible]	High	[illegible]	Est. vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	62807
Jun	[illegible]	[illegible]	[illegible]	[illegible]	3490.0	60	6899
Sep	3509.0	3510.0	-17.0	3509.0	[illegible]	50	340

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	[illegible]	[illegible]	[illegible]	High	Low	[illegible]	Open int.
Mar	[illegible]	[illegible]	+0.1	4192.0	[illegible]	1,787	1,563
Jun	[illegible]	[illegible]	[illegible]				

Open interest figures are for [illegible] Feb.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3463) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1992 based on Friday February [illegible] 1994

BAe rises on bid war speculation

[illegible] and engineering giant British Aerospace [illegible] stage for [illegible] time this [illegible] on [illegible] for [illegible] subsidiary and on the news [illegible] a larger than expected £250m provision for its regional turboprop fleet.

[illegible] with initial shock to [illegible] level of provisions and marked the shares sharply lower. However, [illegible] stock rallied quickly [illegible] rumours [illegible] £800m [illegible] with BMW [illegible] surpassed. [illegible] was seen as [illegible] potential [illegible] while a Rover management buyout [illegible] also mentioned. But it was Honda – holder of [illegible] per [illegible] in Rover – which received most attention. The shares eventually [illegible] up 22 at 575p, with turnover hitting 6.7m.

Analysts were sceptical [illegible] any bid. "[illegible] the BAe stake last autumn and decided not to take it," said Mr Bruce McDonald at Smith New Court.

Suggestions that GEC, up 5 [illegible] 349½p, might revive interest in BAe were not taken too seriously.

[illegible] decision [illegible] make provisions was universally admired as simplifying the balance sheet. Although widely foreshadowed, the amount was £50m more than [illegible] triggered an early sell-[illegible] to 538p. But initial worries melted away [illegible] closer scrutiny and one analyst, reflecting [illegible] confident mood over BAe since the Rover deal, [illegible] a [illegible] upside of 700p [illegible] share.

BAT recommended

[illegible] insurance and tobacco conglomerate, [illegible] Industries, held its own in a badly shaken sector as S.G. Warburg recommended the stock.

International stocks fell sharply in late trading on [illegible] that the US Federal reserve was tightening monetary policy. However BAT, which carries out a large proportion of [illegible] in the US, [illegible] unchanged at 510½p with Mr Mark Duffy of Warburg arguing that the yield on the stock was at a 40 per cent premium to the market yield and [illegible] cerns over group's [illegible] interests were already in the share price. He [illegible] rumours [illegible] BAT buying [illegible] Group [illegible] overdone.

Pearson fell 13 to 712p, Reuters Holdings shed 30 at [illegible] and RMC, tumbled 19 to 967p.

HSBC bought

Hong Kong bank HSBC leapt forward as investors responded to increased strength in the far eastern market. There was also big switching between the Hong Kong [illegible] and the ordinaries as dealers noted the 20p spread between the two classes of share. One block of a million shares moved between the two and the Hong Kongs gained 41 [illegible] 1117p on turnover of 4.8m while the [illegible] jumped 44 [illegible] 1099p with 9.8m traded.

The [illegible] were further helped by a recommendation from Nomura, [illegible] Japanese stockbroker. [illegible] was [illegible] a buyer of Standard Chartered, up 16 at 1431p.

The announcement that Granada's [illegible] for LWT would not be [illegible] the Monopolies [illegible] Mergers Commission sent Granada shares jumping 7 [illegible] 586p and LWT up 6 to 702p. It also [illegible] among other broadcasters, with Anglia adding 3 to 650p, [illegible] 5 to 540p and Ulster 5 [illegible] 678p.

Rank Organisation fell [illegible] 1061p [illegible] Nomura [illegible] telling clients that [illegible] price was [illegible] by 200p.

A trading [illegible] from Vaux, the regional brewer and hot[illegible] was duller than [illegible] market expected [illegible] the shares [illegible] 7 [illegible] company said the [illegible] drinks market remained very competitive.

Prudential Corporation, [illegible] UK's leading insurance group, fell 8 to 356p following Thursday's deal carried out by Smith [illegible] Court. The securi[illegible] house said it placed all the 46m shares it bought from one investment institution by [illegible] of trading on Thursday.

Sun Alliance fell 5 to 409p with Strauss Turnbull citing it as a trading sell.

Lloyds [illegible] fell 14 [illegible] ahead of figures from the high street bank on Friday. Lloyds [illegible] Life, [illegible] bank's [illegible] subsidiary which publishes its [illegible] on [illegible] eased 3 to 446p.

The regional electricity [illegible] were in demand. Manweb, which was said to be hosting a series of [illegible] meeting yesterday, gained 14 to 844p, East Midlands added 11 to 715p and South West put on 9 [illegible] 740p.

Chemicals stocks were buoyant with Allied Colloids leaping 12 to 279p as Robert Fleming, the merchant bank, [illegible] the shares.

Pharmaceuticals group Medeva slipped [illegible] 175p as UBS issued a sell recommendation.

Food retailers underwent another poor session with the selling pressure of recent days showing little sign of abating. J Sainsbury, which triggered the latest bout of selling with its poor trading statement [illegible] two weeks ago, once again bore the brunt of the slide, the shares retreating 9 to 361p in hefty turnover of 8.7m. Kwik Save fell 28 to 577p and Argyll 5 to 258p. Tesco again enjoyed a modicum of support, gaining [illegible] halfpenny to 222½p.

Among food manufacturers, debate over the likelihood of [illegible] rights [illegible] at Cadbury Schweppes continued but dealers said Hoare Govett, the com[illegible] broker, [illegible] dismissive of the notion. Talk of a £1bn cash call has intensified ahead [illegible] Cadbury's [illegible] next month, with Dr Pepper/Seven Up the rumoured target. Cadbury shares rallied on the Hoare caution but closed 3 adrift [illegible] 514p.

Among vehicle distributors, Bletchley rose 10 to 375 on news that it planned [illegible] raise [illegible] placing and share offer. Rolls-Royce were off 3 [illegible] 177p, still suffering from the loss of a Japan Airlines order to Pratt and Whitney and talk of [illegible] BZW sell recommendation.

Babcock Engineering dropped [illegible] to 37p on rumours that the company might announce a rights issue.

MARKET REPORTERS:
Christopher Price,
Peter John,
Clare Gascoigne.

■ Other statistics, Pages 9 and 19

NEW HIGHS AND LOWS FOR [illegible]

■ CHIEF PRICE CHANGES YESTERDAY

[illegible]			
Rises			
Abbott Mead V	[illegible]	+	36
Ashley (Laura)	100	+	[illegible]
BWD Sec	[illegible]	+	13
[illegible] Scotts	[illegible]	+	32
Chrysalis	[illegible]	+	10
Crossroads Oil	[illegible]	+	5
[illegible]	45	+	4
[illegible]	44½	+	[illegible]
Gaskell	150	+	8
Johnson Fry	420	+	40
Lovell (YJ)	170	+	13
Richards	93	+	6
[illegible]	205	+	11
Sketchley	[illegible]	+	7
Soundtracs	[illegible]	+	15
[illegible] & Vine	[illegible]	[illegible]	[illegible]
Trans World	[illegible]	+	9
Falls			
[illegible]	93	-	8
[illegible]	244	-	[illegible]
Kwik Save	[illegible]	-	[illegible]
Lambert Howarth	385	-	20
[illegible]	42	-	4

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	[illegible]	Low/day
FT-SE 100	3499.6	3481.1	3479.6	[illegible]	3488.4	[illegible]	3490.1	3472.1	3483.4	[illegible]	3471.6
FT-SE Mid 250	4149.5	4145.4	[illegible]	4143.0	4143.6	4144.5	4146.5	4143.3	4148.1	4149.5	4142.0
FT-SE-A 350	1770.1	1762.6	1761.8	1763.8	1765.2	1764.6	1766.2	1758.8	1763.7	1770.2	[illegible]

Time of FT-SE 100 High: 8.35 Low: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	[illegible]	[illegible]	Previous	Change
Bldg & Cnstrcn	1478.6	1477.0	[illegible]	1483.0	1487.8	[illegible]	1491.0	1491.5	1494.8	1490.9	1478.2	+12.7
Pharmaceuticals	3142.8	3123.6	[illegible]	[illegible]	[illegible]	3131.9	3135.3	3114.5	3121.9	3116.0	3138.1	-22.1
Water	2123.4	2120.6	2122.1	2112.8	2113.1	2114.8	[illegible]	2113.6	2116.0	2116.0	2125.3	-9.3
Banks	3674.5	3653.4	3650.6	3659.5	3662.0	3670.5	[illegible]	3655.6	3657.8	3646.5	3618.3	+28.2

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Tot[illegible] Indices	[illegible]	[illegible]	FT-SE Mid 250 ex Inv Trusts	[illegible]	1412.60	Water	29/12/89	[illegible]	UK Gilts Indices	[illegible]	100.00
FT-SE SmallCap	[illegible]	[illegible]	FT-SE-A 350	31/12/85	[illegible]	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	[illegible]
FT-SE SmallCap ex Inv Trs	31/12/92	1363.79	FT-SE 100	[illegible]	[illegible]	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	[illegible]	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGES: RECLASSIFICATION: Beraford International has moved from 33 to 22.

Prices for electricity determined for the purposes of the [illegible] pooling and settlement arrangements in England and Wales.

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approx[illegible]y-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is [illegible]ded on behalf of the Pool by Energy Settlements [illegible] Information Services Limited. Anyone wishing to [illegible]ceive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund America	5	171.5	173.1	182.2	-0.40	0.00
AIB Grofund Equity	5	257.4	260.1	275.2	-3.10	1.11
AIB Grofund Euro	5	204.8	206.2	217.1	-0.80	0.00
AIB Grofund Extr Balanced	3	122.4	123.8	128.1	—	0.59
AIB Grofund Gilt	3	81.90	81.92	84.45	-0.47	4.21
AIB Grofund Japan	5	178.7	180.4	189.9	+0.30	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	503.8	505.7	537.8	-4.3	2.00
General Acc	5	599.2	600.8	598.7	-4.5	2.00
UK Growth Acc	6	377.7	382.4	408.9	-3.5	2.18
UK Growth Inc	6	284.5	287.8	304.9	-2.5	2.18
Higher Inc Acc	6	708.1	718.5	764.4	-7.2	3.06
Higher Inc Inc	6	424.1	429.6	457.1	-4.4	3.06
Gilts/Fxd Int Acc	5½	194.6	194.6	205.5	-1.3	5.42
Gilts/Fxd Int Inc	5½	99.49	99.49	105.0	-0.6	5.42
Nth America	6	280.1	284.5	301.4	+0.7	0.00
Far East	6	382.8	382.8	407.3	+3.7	0.00
Europe	6	290.2	294.8	313.1	—	0.40
Brit Excell	6	75.71	75.71	80.55	-0.87	2.30
Brit Fndmntls Acc	6	106.6	109.1	115.1	-0.8	3.84
Brit Fndmntls Inc	6	80.87	82.07	87.31	-0.71	3.84
Global Opps	6	86.48	87.37	92.95	-0.25	0.00
Balanced Acc	6	57.01	57.65xd	61.34	[illegible]	2.06
Balanced Inc	6	56.50	57.15xd	60.80	[illegible]	2.06
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Gilts & Fixed Int	6	141.9	141.9	150.4	[illegible]	5.32
High Inc Equity	6	179.3	182.0xd	193.6	-1.5	3.78
Worldwide Bond	6	271.3	271.3xd	287.7	+0.2	3.65
American Growth	6	318.7	318.7xd	340.8	+0.4	.83
Asian Pacific	6	393.0	402.0	427.8	+4.3	—
Assets & Earnings	0	284.4	289.5	307.9	-2.1	1.68
Capital Reserve Acc	0	130.8	130.8	130.8	-0.2	5.17
Commodity & Energy	6	133.5	136.6	145.3	+0.3	.38

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capel-Cure Myers UT Mngt Ltd - Contd.						
Exempt Fund						
High Yield	2	1489.00	1489.00	1558.00	-11.00	3.56
(Accum Units)	2	1754.00	1767.00	1802.00	-13.00	3.56
Capital House Unit Tst Mgrs (1200)F						
Capital House, Festival Square, Edinburgh.						
031-228 4477 Dealing 0800 833561						
American Gwth Tst	6	39.88	39.34	42.07	+0.15	0.87
American Gwth Tst Acc	6	39.12	39.57	42.32	+0.15	0.87
Cash Acc	0	61.82	61.82	61.82	—	5.18
Do Income	0	50.40	50.40	50.40	—	5.18
European Gwth	6	40.68	40.98	43.28	-0.04	0.81
Income & Gwth Acc	6	33.53	33.78	36.12	-0.15	3.71
Do Income	6	30.96	31.19	33.35	-0.14	3.71
Intnl Gwth	6	33.25	33.31	35.62	+0.13	0.72
Japan Gwth	6	27.90	27.93	29.87	—	—
Managed Tst Acc	6	53.71	53.88	57.62	-0.04	0.47
Do Income	6	52.15	52.29	55.92	-0.04	0.47
Oriental Opps Acc	6	178.5	178.7	191.1	+3.3	0.53
Do Income	6	171.7	173.9	185.9	+3.2	0.53
Property Shares	6	49.54	50.02	53.49	+0.36	1.52
Smaller Cos	6	34.70	35.53	37.99	+1.06	1.38
UK Growth Tst	6	28.15	28.34	30.30	-0.15	2.49
Mngd Exempt Acc		—	—	—	—	—
Do Income	3	249.1	249.1	250.4	—	—
Royal Scottish Assurance						
Roy Scot/Cap Hse Global Acc	6	81.47	81.89	87.54	-0.05	1.54
Do Income	6	77.46	77.84	83.26	-0.05	1.54
Roy Scot/Cap Hse UK Acc	6	78.00	78.38	83.82	-0.42	2.20
Do Income	6	72.41	72.76	77.81	-0.39	2.20
CH Unit Managers Ltd (Formerly Brown Shipley)						
CH Mgd Euro Inc	6	26.74	26.91	28.78	-0.03	0.37
CH Mgd Europ Acc	6	27.73	27.91	29.85	-0.03	0.37
CH Financial	6	169.3	170.5	182.3	—	2.23
CH Foundation	6	98.10	100.1	107.0	+0.7	2.38
CH German	6	49.86	49.88	53.11	-0.03	0.07
CH High Income	6	83.76	84.61	90.49	-0.52	5.84
CH Income	6	149.3	150.3	160.7	-0.7	3.43
CH Mgd Intl Growth	6	39.68	40.20	42.99	+0.03	0.15
CH Mngd Ptflo Inc	6	113.1	116.1xd	123.1	+0.3	1.60
CH Mngd Ptflo Acc	6	218.4	220.2xd	235.5	+0.6	1.60
CH Monthly Income	6	90.09	91.99xd	98.35	-0.13	3.27
CH Mgd Nth American	6	112.1	114.4xd	122.3	+1.1	0.15
CH Global	6	159.4	161.4	172.6	+1.3	—

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for [illegible]

TSB Unit Trusts (1200)F

INSURANCES

AXA Equity & Law Life Assce

Britannia Life Assurance

Britannia Life Ltd

Canada Life Group

Eagle Star Life Assurance Co Ltd

Henderson Administration

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451				
UK Equity	84.8	89.0	—	-
Global Equity	62.3	65.6	—	-
High Yield	81.9	86.2	—	-
Intl Equity	90.3	95.0	—	-
Fixed Interest	82.6	86.9	—	-
Money	76.1	80.1	—	-
Managed	85.9	90.4	—	-
Pensions				
UK Equity	92.7	97.6	—	-
Global Equity	66.8	70.3	—	-
High Yield	96.2	101.3	—	-
Intl Equity	101.7	107.0	—	-
Fixed Interest	99.50	104.7	—	-
Money	94.1	99.1	—	-
Managed	97.3	102.4	—	-
Tax Exempt				
Tax Exempt Mngd	72.9	76.7	—	-
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7588				
Managed Fund	164.1	172.8	-0.8	-
Pension Mngd Fd	186.2	196.1	-0.8	-
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	794.2	840.6	-3.4	2.10
Coverdale AG Bond Fd	172.6	182.8	+1.2	-
Deposit Fd†	360.7	360.7	—	5.76
Directors' Portfolio	90.6	95.9	-1.2	-
Equity Pens Fd	204.8	216.9	-2.5	-
European Mngd Fd	71.0	75.2	+0.2	-
Gilt Fd	647.1	679.0	-2.9	7.50
Gilt Pens Fd	150.4	159.2	-0.8	7.04
Global Equity Fd	250.7	265.3	+0.1	-
Global Eq Pens Fd	251.8	266.3	-0.1	-
High Int Pens Fd†	132.1	139.8	+0.1	5.64
Japanese Mngd Fd	90.4	95.7	+0.3	-
Managed Income Fd	53.1	56.2	-0.3	5.78
Man Pens Fd	212.2	224.6	-1.2	1.79
North American Mngd Fd	73.1	77.4	—	-
Pacific Mngd Fd	[illegible]	100.4	+0.9	-
Property Fd*	[illegible]	102.0	—	6.11
Prop Pens Fd*	126.2	133.6		6.77
Thornton Lambert Managed	244.2	258.5	-0.1	-
UK Capital Portfolio	66.5	70.4	-0.8	-
UK Managed Gilt Fd	64.1	67.9	-0.5	-
†Weekly dealings. *Fortnightly dealings				
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	485.3	510.9	+0.20	-

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Fidelity Managed	221.0	232.6	+0.7	-
Fleming Managed Inv Tst	152.4	160.4	+0.7	-
F & C Investment Trust	197.7	208.1	+1.1	-
Framlington Managed	243.0	252.1	+0.7	-
Gartmore Managed	251.5	256.3	+0.7	-
Henderson Managed	281.6	296.4	+0.9	-
Hill Samuel Managed	246.0	258.9	+0.4	-
Invesco Managed	213.4	224.6	+0.3	-
James Capel Core Mngd	148.4	156.2	+0.5	-
Kleinwort Benson Mngd	147.4	155.1	—	-
Martin Currie Mngd	164.2	172.8	+0.8	-
Morgan Grenfell Mngd	168.0	176.8	+1.0	-
Murray Johnstone Managed	162.9	171.4	+0.7	-
Perpetual Managed	235.2	247.6	+0.7	-
Schroder Managed	145.3	152.9	-0.2	-
Pension Managed Funds				
Skandia Cautious	166.2	174.9	+0.8	-
Skandia Balanced	832.4	865.6	+4.4	-
Skandia Ethical Selection	142.6	149.9	+0.7	-
Skandia Deposit	447.8	471.1	—	-
Abtrust Managed	152.0	160.0	+0.8	-
Baring Managed	175.0	184.2	+0.1	-
BZW Managed	138.6	145.8	-1.2	-
CU Managed	312.5	328.9	+0.7	-
Fidelity Managed	248.4	262.5	+1.1	-
Fleming Managed Inv Tst	177.2	186.5	+0.9	-
F & C Investment Trust	229.6	241.6	+1.5	-
Framlington Managed	389.7	409.1	+1.3	-
Gartmore Managed	424.7	447.0	+1.3	-
Henderson Managed	378.2	398.1	+1.4	-
Hill Samuel Managed	321.7	338.6	+3.2	-
Invesco Managed	302.5	318.4	+0.4	-
James Capel Core Mngd	168.8	177.6	+0.8	-
Kleinwort Benson Mngd	159.2	167.5	—	-
Martin Currie Mngd	185.8	195.5	+1.0	-
Morgan Grenfell Mngd	192.0	202.1	+1.4	-
Murray Johnstone Mngd	175.1	184.3	+0.9	-
Perpetual Managed	289.6	304.8	+1.1	-
Schroder Managed	160.4	168.8	-0.3	-
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	747.0	[illegible]	-0.3	-
Equity	1070.9	[illegible]	-0.7	-
Fixed Interest	430.3	[illegible]	-2.8	-
Index-Linked	217.2	[illegible]	-1.3	-
International	659.9	[illegible]	+3.6	-
North American	150.7	[illegible]	—	-
Far East	188.4	[illegible]	+2.2	-
European	176.5	[illegible]	+0.4	-
Property	336.8	[illegible]	+0.1	-
Cash	282.2	[illegible]	—	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are av[illegible] over the telephone. Call the FT [illegible] Help Desk on (071) 873 4378 for more details.

EBC Fund Managers (Jersey) Ltd

Fleming Group

Comgest SA

Commercial Union Luxembourg SA

Midland Internatl Circuit Fund SICAV

Credit Suisse - Contd.

Edmond de Rothschild Group

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Indosuez Asset Management Asia Ltd

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Putnam Emerging Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Feb 4 / US$) (3 pm)

[illegible]

CANADA (Feb 4 / Can. $) (3 pm)

[illegible]

EUROPE

AUSTRIA (Feb 4 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 4 / Frs.)

[illegible]

DENMARK (Feb 4 / Kr)

[illegible]

FINLAND (Feb 4 / Mkka)

[illegible]

FRANCE (Feb 4 / Frs.)

[illegible]

GERMANY (Feb 4 / Dm.)

[illegible]

ITALY (Feb 4 / Lire)

[illegible]

NETHERLANDS (Feb 4 / Fls.)

[illegible]

NORWAY (Feb 4 / Kroner)

[illegible]

SPAIN (Feb 4 / Pts.)

[illegible]

SWEDEN (Feb 4 / Kronor)

[illegible]

SWITZERLAND (Feb 4 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Feb 4 / Rand)

[illegible]

PACIFIC

JAPAN (Feb 4 / Yen)

[illegible]

AUSTRALIA (Feb 4 / Aus$)

[illegible]

HONG KONG (Feb 4 / H.K.$)

[illegible]

MALAYSIA (Feb 4 / MYR)

[illegible]

SINGAPORE (Feb 4 / S$)

[illegible]

Prices supplied by Telekurs

INDICES

	Feb 4	Feb 3	Feb 2	1993/4 High		Low	
Argentina							
General (29/12/77)	(u)	24041.2	23445.7	24041.20	3/2/94	12187.88	8/3/93
Australia							
All Ordinaries(1/1/80)	2332.8	[illegible]	2312.1	[illegible]	3/2/94	[illegible]	13/1/93
All Mining(1/1/80)	1134.4	1136.1	1109.2	[illegible]	3/2/94	884.70	13/1/93
Austria							
Credit Aktien(30/12/84)	[illegible]	[illegible]	460.68	460.68	3/2/94	300.26	14/1/93
Traded [illegible]	1206.07	[illegible]	[illegible]	1222.25	[illegible]	712.06	[illegible]
Belgium							
BEL20 (1/1/91)	[illegible]	1520.39	1522.10	1569.44	31/1/94	1128.48	[illegible]
Brazil							
Bovespa [illegible]	(u)	[illegible]	82306.0	82806.00	1/2/94	714.72	4/1/93
Canada							
Metals Mins♦(1975)	[illegible]	3795.05	3820.54	3824.93	1/2/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4560.30	4573.43	[illegible]	[illegible]	3275.80	21/1/93
[illegible]§§ (4/1/83)	(u)	[illegible]	2169.80	[illegible]	[illegible]	[illegible]	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	[illegible]	[illegible]	4619.30	2/2/94	2812.89	10/5/93
Denmark							
[illegible]	410.22	[illegible]	[illegible]	418.79	3/2/94	281.80	[illegible]
Finland							
HEX [illegible]	[illegible]	[illegible]	[illegible]	1972.00	[illegible]	843.16	23/1/93
France							
SBF 250 (31/12/90)	[illegible]	1568.53	1585.20	1585.20	2/2/94	1114.19	[illegible]
CAC 40(31/12/87)	[illegible]	2321.99	2355.93	2355.93	2/2/94	1772.21	29/1/93
Germany							
[illegible]	819.58	833.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank(1/12/53)	2345.7	2388.5	2393.0	2459.00	4/1/94	1694.38	[illegible]
DAX [illegible]	[illegible]	[illegible]	2184.01	2267.98	3/1/94	[illegible]	13/1/93
Greece							
Athens [illegible]	1114.91	[illegible]	[illegible]	1194.58	[illegible]	667.72	[illegible]
Hong Kong							
Hang [illegible]	[illegible]	11851.13	[illegible]	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	3917.5	3992.2	[illegible]	4069.30	[illegible]	2100.87	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	[illegible]	594.36	592.19	612.88	5/1/94	[illegible]	5/1/93
Ireland							
ISEQ Overall(4/1/88)	2047.01	[illegible]	2066.22	2082.16	20/1/94	[illegible]	11/1/93
Italy							
[illegible] Comm Ital (1972)	[illegible]	672.85	668.30	672.85	3/2/94	446.33	6/1/93
MIB [illegible] (4/1/94)	1073.0	1075.0	1068.0	1075.00	3/2/94	944.00	10/1/94
Japan							
Nikkei 225 [illegible]	20301.43	20174.82	20250.03	21148.11	13/9/93	16078.71	29/11/93
[illegible]300 (1/10/82)	297.68	297.65	[illegible]	309.84	10/11/93	249.64	29/11/93
[illegible] (4/1/68)	[illegible]	1612.73	[illegible]	1698.67	3/9/93	[illegible]	25/1/93
2nd Section (4/1/68)	2156.75	2159.13	2168.32	2384.87	[illegible]	[illegible]	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1147.32	1150.21	1148.04	1314.46	5/1/94	614.28	13/1/93

	Feb 4	Feb 3	Feb 2	1993/4 High		Low	
Mexico							
IPC (Nov 1978)	(u)	2822.51	2784.90	2822.51	3/2/94	1504.16	25/2/93
Netherlands							
[illegible] TtlRtnGen(End 83)	[illegible]	452.8	[illegible]	[illegible]	31/1/94	[illegible]	[illegible]
CBS All Shr (End 83)	293.1	293.4	293.7	294.80	31/1/94	[illegible]	[illegible]
New Zealand							
Cap. 40 [illegible]	2413.24	[illegible]	[illegible]	[illegible]	[illegible]	1496.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	[illegible]	[illegible]	[illegible]	1204.17	4/2/94	608.93	27/1/93
Philippines							
Manila Comp (2/1/85)	[illegible]	2922.99	[illegible]	3300.37	4/1/94	1270.86	[illegible]
Portugal							
BTA (1977)	[illegible]	3035.7	3047.6	3142.46	4/2/94	1608.20	[illegible]
Singapore							
SES All-S'pore(2/4/75)	[illegible]	[illegible]	610.84	641.91	4/1/94	384.10	[illegible]
South Africa							
JSE Gold (28/9/78)	[illegible]	1995.0	[illegible]	[illegible]	[illegible]	775.00	6/1/93
[illegible] (28/9/78)	[illegible]	5722.0	5679.0	5750.80	7/1/94	3322.09	4/2/94
South Korea							
[illegible]	[illegible]	[illegible]	[illegible]	974.28	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	[illegible]	[illegible]	[illegible]	368.31	31/1/94	215.80	4/1/93
Sweden							
AffarsvardlnGen [illegible]	[illegible]	1591.2	1602.8	1603.90	31/1/94	878.10	29/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	[illegible]	1405.01	1410.58	1423.34	31/1/94	904.88	[illegible]
SBC General (1/4/87)	[illegible]	1086.61	[illegible]	1093.29	31/1/94	[illegible]	[illegible]
Taiwan							
WeightedPr.(30/6/66)**	[illegible]	6382.08	6259.21	6454.52	6/1/94	3088.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	[illegible]	[illegible]	[illegible]	1753.73	4/1/94	818.84	1/6/93
Turkey							
[illegible] Comp.Ind [illegible]	[illegible]	[illegible]	19463.4	20063.60	13/1/94	[illegible]	1/1/93
WORLD							
MS Capital Int (1/1/70)§	636.7*	637.7	[illegible]	641 [illegible]	[illegible]	486.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1529.77	[illegible]	[illegible]	1540.19	31/1/94	1063.02	[illegible]
Euro Top-100 (26/6/90)	[illegible]	[illegible]	[illegible]	1311.01	2/2/94	[illegible]	13/1/93
JCapelDrgns (31/12/88)	(u)	378.65	377.49	[illegible]	5/1/94	188.82	4/1/93
Barings Emerg.(7/1/92)	[illegible]	182.10	182.15	182.15	[illegible]	99.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2320.0	2339.0	[illegible]	[illegible]	2320.0	26,812	21,029
[illegible]	[illegible]	[illegible]	[illegible]	2360.0	2334.0	1,423	[illegible]
Jun	[illegible]	[illegible]	+9.0	2334.0	2334.0	1	2,512

Open interest figures for previous day.

** Sat Jan 29: Taiwan Weighted Price (c) ; Korea Comp Ex 948.11. Base values of all Indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 4 - 2143.90 +6.82.

US INDICES

Dow Jones	Feb 3	Feb 2	Feb 1	1993/4 High	Low	Since compilation High	Low
Industrials	3967.66	3975.54	3964.01	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	108.21	108.32	108.38	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1882.58	1882.29	1869.4	1882.29 (2/2/94)	1453.84 (4/1/93)	1882.29 (2/2/94)	12.32 (8/7/32)
Utilities	224.23	226.15	224.40	256.48 (31/8/93)	217.11 (24/1/94)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3986.62 (3987.78) Low 3932.77 (3937.27) (Theoretical♦)
Day's high 3975.54 (3976.95) Low 3948.53 (3958.97) (Actual♦)

Standard and Poor's	Feb 3	Feb 2	Feb 1	1993/4 High	Low	Since compilation High	Low
Composite ‡	[illegible]	482.00	479.62	482.00 (2/2/94)	429.05 (8/1/93)	[illegible]	4.40 (1/6/32)
Industrials	580.03	[illegible]	[illegible]	580.63 (2/2/94)	499.48 (26/4/93)	580.58 (2/2/94)	3.62 [illegible]
Financial	46.76	46.25	46.29	48.40 (28/9/93)	39.89 (8/1/93)	[illegible]	8.64 (1/10/74)
NYSE Comp.	267.18	267.71	266.44	267.71 (2/2/94)	236.21 (8/1/93)	[illegible]	4.46 (25/4/42)
Amex Mkt Val	487.18	[illegible]	485.69	487.89 (2/2/94)	395.84 (8/1/93)	[illegible]	29.31 (9/12/72)
NASDAQ Cmp	797.79	799.57	797.24	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	(31/[illegible]

■ RATIOS

	Jan 28	Jan 21	Jan [illegible]	Year ago
Dow Jones Ind. Div. Yield	2.57	2.59	2.62	[illegible]
	Feb 2	Jan 26	Jan 19	Year ago
S & P Ind. Div. yield	2.28	2.35	2.34	[illegible]
S & P Ind. P/E ratio	[illegible]	[illegible]	[illegible]	[illegible]

■ STANDARD AND POORS 500 INDEX FUTURES $500 [illegible]

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	481.40	479.55	[illegible]	184,295
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,970
[illegible]	-	[illegible]	-	482.80	[illegible]	21	916

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
RJR Nabisco	[illegible]	[illegible]	[illegible]
Wal-Mart	5,254,800	28	+⅛
Telefonos	4,857,900	75⅝	+1⅝
Gen Motors	4,219,800	63	+1⅛
Ford Motor	3,187,200	68¾	+1⅜
Unisys	3,160,400	14¾	+⅛
Maytag	3,015,600	17⅛	-2¼
Merck	2,918,300	36¾	+⅛
EMC	2,746,100	21⅝	+⅝
Chrysler	2,588,200	62½	+1¼

■ TRADING ACTIVITY

■ Volume (million)

	Feb 3	Feb 2	Feb 1
New York SE	318.004	326.766	314.177
Amex	20.541	[illegible]	[illegible]
NASDAQ	331.623	334.955	339.754
NYSE			
Issues Traded	2,746	2,733	2,743
Rises	920	[illegible]	[illegible]
Falls	1,182	[illegible]	1,132
Unchanged	644	622	672
New Highs	137	[illegible]	139
New Lows	19	[illegible]	15

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT FREE ANNUAL REPORTS SERVICE

WORLD STOCK MARKETS

AMERICA

Dow falls on tighter credit conditions

Wall Street

[illegible] stocks tumbled after the Federal Reserve announced [illegible] its policy-making body [illegible] decided to tighten credit conditions, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 37.42 [illegible] 3,930.24, while the [illegible] broadly based Standard [illegible] Poor's 500 was [illegible] lower at [illegible]. In the secondary markets, the American [illegible] composite lost 2.76 to 484.42, and the Nasdaq composite 8.71 to [illegible].

Volume [illegible] the [illegible] [illegible] heavy, with 219m [illegible] [illegible] by 1 pm. Declining issues outnumbered advances by 1,483 to 536.

After [illegible] [illegible]ak opening, the market went into a tailspin after Mr Alan Greenspan, the Fed chairman, said that the Federal Open Market Committee had [illegible] to [illegible] [illegible] on [illegible] positions, [illegible] move [illegible] with [illegible] slight [illegible] in short-term [illegible].

Share prices, which [illegible] [illegible] under [illegible] [illegible] long-held policy [illegible] accommodation, plunged on the news, with the Dow index [illegible] [illegible] 40-point [illegible] within minutes of the [illegible].

Stocks pulled [illegible] [illegible] their [illegible]sion [illegible] [illegible] after, helped in part by indications that [illegible] Fed would nudge up its [illegible] for the key Fed Funds rate by only 25 basis points to 3.25 per cent.

The bond market displayed a cooler reaction than equities in the face of the long-anticipated move by [illegible] Fed to staunch incipient inflationary pressures in the economy. Most of damage came in the intermediate segment of the maturity range, with the five-year note down ⅛ at 98⅞ and the yield rising to 5.267 per cent at midday.

While an early move had been expected, the financial markets were nevertheless surprised by the unprecedented announcement of the [illegible] intentions. The timing of the action, [illegible] the [illegible] [illegible] weaker-than-expected January employment data earlier in the day, also raised eyebrows.

Financial issues and utilities, which are the most sensitive to fluctuations in interest rates, were among the worst performers. Citicorp was marked down $1⅞ to $40⅞, Chase Manhattan $1⅛ to $34⅛ and Wells Fargo [illegible] to $132¼. Brokerage [illegible] [illegible] [illegible] hit hard, with Morgan Stanley dropping $1⅛ to $77, Merrill Lynch shedding $1⅞ to $42⅞ and Paine Webber slipping $⅝ to $27⅛.

Amid the fresh indication that the economy may not have fared as well as expected last month, cyclical issues were also down. Ford lost $1⅛ to $68⅞ and Chrysler was down $1⅛ to $61⅛.

On the Nasdaq, [illegible] stocks led [illegible] decline. Microsoft lost [illegible] [illegible] $82¼, Sun Microsystems dropped $1 to $26⅞ and Wellfleet Communications receded $1½ [illegible] [illegible].

Canada

Toronto [illegible] sank at midday after [illegible] US Federal [illegible] [illegible] [illegible] tighten monetary supply. All but two of Toronto's 14 sub-groups were down at noon, losing gains from earlier in the morning.

The TSE 300 composite index fell 26.38 to 4,533.90 in brisk volume of 54.7m [illegible]. The consumer products group fell 64.23 to 7,159.72, and financial services sank 47.72 to 3,466.83.

Johannesburg jumpy as it scales new peaks

Matthew Curtin on this week's changed sentiment

Wednesday's reports that [illegible] African National Congress and [illegible] [illegible] Party were [illegible] to [illegible] [illegible] with the Freedom Alliance, enabling [illegible] right-wing coalition to take part in April's elections, turned investment sentiment around in South Africa this [illegible].

[illegible] overall index jumped 127 [illegible] [illegible] with the industrial index up 120, or more than [illegible] per cent to 5,679 [illegible] by [illegible] night, the respective [illegible] were 5,021 and a new high of 5,822 respectively.

In [illegible] [illegible] [illegible] prior to [illegible] [illegible] deluge of foreign [illegible] in South African equities, which had [illegible] [illegible] tumble on the Johannesburg Stock Exchange [illegible] October, had dwindled [illegible] [illegible] trickle. Foreigners [illegible] [illegible] buyers of [illegible] worth R1.2bn [illegible] [illegible] [illegible] and mid-January, but bouts of selling [illegible] [illegible] purchases shrink [illegible] R43m in [illegible] [illegible] [illegible] [illegible] month. The [illegible] [illegible] index scaled the 5,000 level for the first time in the [illegible] Year [illegible] [illegible] more than 5 per cent [illegible] [illegible] by the beginning of February.

[illegible] week, [illegible] JSE [illegible] dealers, local [illegible] [illegible] [illegible] to the [illegible] and [illegible] [illegible] have [illegible] "to [illegible] [illegible] [illegible] chips again.

[illegible] roller-coaster performance [illegible] equities [illegible] [illegible]tions [illegible] lifted at the [illegible] [illegible] September – clearing the way for US fund-managers to build up portfolios at will on the JSE for the first time in nearly 10 years – has confirmed that the stock market, though firmly in a bull run, remains no less susceptible to fears about the transition to the new South Africa.

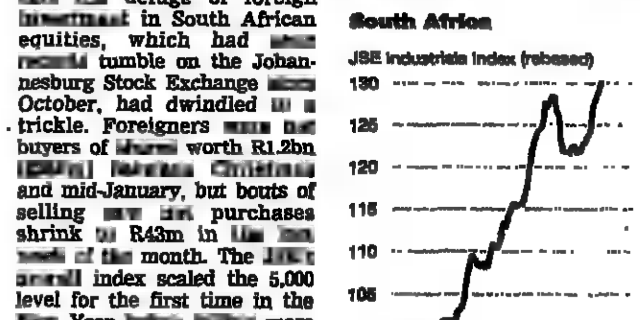
Any thoughts that the surge in foreign ownership of South Africa equities amounted to [illegible] free lunch have [illegible] [illegible] by the JSE's heightened vulnerability to overseas investment sentiment.

The deadlock in pre-election negotiations coincided with the release of the final draft of the [illegible] reconstruction and development [illegible]. Over-hasty interpretations of the ANC's poorly worded draft mining policy raised fears – now abated – that a potential government was bent on [illegible]ing control [illegible] mineral rights from the private [illegible], [illegible] interfering in minerals [illegible]ing. James Capel put out a sell recommendation on South African [illegible] including the country's leading mining industrial [illegible], Anglo American, which [illegible] [illegible] [illegible] after [illegible] buyers had pushed it from [illegible] [illegible] [illegible] in [illegible] [illegible].

[illegible] condition [illegible] the gold [illegible] [illegible] [illegible] play a critical [illegible] in JSE [illegible]. By mid-January bullion [illegible] up at $393, [illegible] [illegible] [illegible] $400 [illegible] the

South Africa

JSE Industrials index (rebased)



[illegible] [illegible] [illegible] July, when, with the help of [illegible] Gold Fields Mineral [illegible] report [illegible]ing [illegible] sharp decline in physical demand for [illegible] [illegible] in 1993, it [illegible] momentum [illegible] slump [illegible] $377 at the end of the month. The metal's weakness knocked JSE gold shares at the same time as the mining industry and investors reacted violently to the ANC's first statements on mining policy. Gold prices are back above $385, a sign if any was needed that medium-term outlook for shares remains bullish. The stream of fund managers and investment banks visiting South Africa has continued.

Mr Richard Stuart, of stockbrokers Martin & Co, says that US funds are still in the early stages of accumulating local stock. By pushing share prices up, they have been able to winkle out tightly-held quality scrip from local institutions.

On the economic front, there is little bad news to dissuade them. The [illegible] pulled [illegible] of [illegible] [illegible] the third quarter of [illegible], with annualised quarter-on-quarter growth of 8 per cent; summer rains promise [illegible] bumper maize [illegible] and inflation fell to 9.7 per cent in 1993, [illegible] lowest level in 20 [illegible]. [illegible] in December's [illegible] supply [illegible] economists that recovery was entrenched.

Mr Stuart [illegible] that [illegible] real support for [illegible] upbeat outlook [illegible] [illegible] coincidence [illegible] the lifting of [illegible] [illegible] the explosion [illegible] [illegible] interest in emerging [illegible] markets. Not only are JSE yields through the financial rand, [illegible] foreign [illegible]ment currency unit, particularly [illegible] compared with markets in Latin American and south-east Asia, but the JSE – currently capitalised [illegible] about R700bn [illegible] – [illegible] [illegible] [illegible] be incorporated in the International [illegible] Corporation [illegible] Morgan Stanley emerging market indices, which will give added impor[illegible] [illegible] South [illegible] equities in international portfolios.

Foreign [illegible] are looking [illegible] [illegible] [illegible] through [illegible] [illegible] lens, no longer restricted [illegible] its [illegible] [illegible] platinum and diamond mining counters, but focused on industrial [illegible] which [illegible] offer appealing, if not [illegible] lucrative returns as their counterparts in Argentina, Malaysia [illegible] Taiwan. "Reconstruction, consumption and resources [illegible] [illegible] investors [illegible] looking for", says Mr Stuart, explaining US investor[illegible] thirst [illegible] shares in Anglo, [illegible] [illegible] Iscor, the [illegible]struction group Murry & Roberts, and South African [illegible].

However, Mr Doug Ellish, head of [illegible] at brokers Anderson Wilson, points out [illegible] cloud on [illegible] horizon: "South Africa faces a window of opportunity of four years of steady GDP growth, but then an ANC government will have to balance meeting populist demands [illegible] losing [illegible] [illegible] macro-economic principles it promises it will follow. Any recklessness, and the foreign funds will go."

EUROPE

Bourses meander ahead of Fed funds move

[illegible] mostly [illegible] [illegible] relatively quiet [illegible] yesterday [illegible] will respond on Monday [illegible] [illegible] [illegible] afternoon rise in [illegible] Fed [illegible] rate, [illegible] *Our Mar[illegible] [illegible].*

In [illegible] meantime, Mr Albert Edwards, global strategist at Kleinwort Benson, said last night that many [illegible] professionals had not [illegible] the Fed [illegible] tighten until [illegible] middle of [illegible] [illegible], [illegible] later.

Mr Edwards reckons [illegible] [illegible] tightening [illegible] could lift [illegible] Fed Funds [illegible] to [illegible] [illegible] [illegible] by [illegible] year-end; [illegible] [illegible] will [illegible] [illegible] [illegible] liquidity flow into equity-oriented [illegible] funds; [illegible] [illegible] emerging markets and European bourses, [illegible] beneficiaries of [illegible] year's transatlantic flow of funds, will [illegible] selling pres[illegible] as the "weight of money" argument [illegible] up.

PARIS [illegible] already closed [illegible] [illegible] [illegible] from [illegible] US Federal Reserve [illegible] [illegible] but, earlier, it [illegible] shown [illegible] slight improvement on good [illegible] jobs [illegible].

[illegible] CAC-40 index added 7.18 [illegible] 2,329.17, [illegible] [illegible] of 0.7 per [illegible] [illegible] [illegible] week.

[illegible] [illegible] downside, [illegible] slipped FFr21 to [illegible] as investors took profits following [illegible] group's [illegible] which came [illegible] of hours on Thursday. The [illegible] were [illegible] in line [illegible] expectations and, as [illegible] Capel noted, [illegible] [illegible] [illegible] news was already built into the share price, the group having outperformed the market since the beginning of the year.

Synthelabo, the pharmaceutical company, advanced FFr6.50 to FFr235.50, as it made positive comments about the prospects for a new product in the US.

FRANKFURT continued to nurse [illegible] [illegible] concerns, [illegible] Dax index falling [illegible] [illegible] at [illegible] point before [illegible] [illegible] the [illegible] 13.47 lower [illegible] 2,138.25; it [illegible] [illegible] [illegible] [illegible] Ibis-indicated [illegible] in [illegible] post bourse.

Turnover fell from DM11.8bnbn [illegible] DM9.1bn. Disappointment remained that the Bundesbank [illegible] [illegible] [illegible] [illegible] key [illegible] on Thursday [illegible] falls in [illegible] [illegible] banks, Bayernverein and Bayernhpyo, of DM10 [illegible] DM533 [illegible] DM12 [illegible] [illegible] [illegible] [illegible] [illegible] technical [illegible] rather than their interest-rate sensitivity; Mr Adrian Hopkinson, at Smith [illegible] Court, [illegible] Bayernverein [illegible] in [illegible] middle [illegible] [illegible] rights issue and Bayernhpyo [illegible] the [illegible] of a warrants [illegible].

AMSTERDAM [illegible] [illegible] fresh look [illegible] KLM and [illegible] that the time was right to buy, following the airline's announce[illegible] on Thursday that [illegible] was seeking to reduce its debt burden by a global offering of 20m ordinary [illegible]. The [illegible] closed at a four-year [illegible], rising [illegible] [illegible] Fl 52.00, with some brokers commenting that the rise was partly a result of short covering. Analysts felt that the airline was well positioned to benefit from any upturn in the industry. The AEX index gained 1.77 to 437.10, up 1.8 per cent on the week.

The day's performances were not all one way: Royal Dutch slipped Fl 1.60 to Fl 209.30 and Wolters Kluwer dipped a further Fl 1.80 to Fl 124.40.

MILAN's banking sector was again in the spotlight, while profit-taking in the broader market left the Comit index 1.15 lower at 671.70, but still 4.7 per cent up on the week.

Credito Italiano rose L91 or 4.7 per cent to L2,565 and BCI was L125 or 2.6 per cent ahead at L5,240, benefiting from a change in legislation which is likely to lead to a boost in their credit business. The sector also continued to draw support from the success of this week's privatisation of IMI, which begins trading in Milan on Wednesday; IMI was being quoted on the grey market at L12,600-L12,900, compared with the L10,900 offer price.

Alitalia A shares surged L213 or 19.8 per cent to L1,286 in [illegible] to recent management changes [illegible] [illegible] by Mr Roberto Schisano, managing director designate, [illegible] the airline would have to be restructured to make it attractive ahead of its planned privatisation.

[illegible] finished a [illegible] of huge volume with a L14 rise [illegible] L1,204, with [illegible] [illegible] traded, [illegible] stock now [illegible] [illegible] a recovery candidate.

ZURICH continued higher, [illegible] SMI index [illegible] 14.7 to 3,166.6, [illegible] [illegible] [illegible] per [illegible] rise [illegible] the [illegible].

Banks [illegible] firm ahead of results which begin later in the [illegible]. CS [illegible] [illegible] SFr9 to SFr760 and UBS [illegible]ers [illegible] SFr6 to SFr1,513. A SFr15 rise [illegible] SFr279 by Adia was [illegible] [illegible] strong demand from London.

[illegible], strong [illegible] much of [illegible] week, dipped SFr1 [illegible] SFr1,389 amid reports [illegible] [illegible] [illegible] [illegible] [illegible] Unilever which was [illegible] as relatively cheap. [illegible] registered [illegible] [illegible] [illegible] [illegible] [illegible] Goldman Sachs upgraded [illegible] stock. [illegible] shed [illegible] [illegible] SFr1,300 [illegible] saying [illegible] [illegible] expected [illegible] of [illegible] [illegible] [illegible].

STOCKHOLM [illegible] a busy day's trading which [illegible] [illegible] [illegible] index [illegible] [illegible] [illegible] 1,594.0, [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]. Timber [illegible] put [illegible] a strong performance [illegible] news [illegible] [illegible] in pulp and paper prices. HELSINKI was supported by [illegible] positive [illegible] for [illegible] economy. The Hex [illegible] [illegible] 9.87 [illegible] 1,971.96, up [illegible] [illegible] [illegible] [illegible] the [illegible].

ISTANBUL fell [illegible] 3.2 [illegible] cent, [illegible] [illegible] drop in the composite index leaving it with [illegible] three-day drop [illegible] 14.7 [illegible] [illegible] [illegible] 17,894.8, but only [illegible] per [illegible] lower on [illegible] volatile [illegible]. Mr Stuart Harley [illegible] Schroders commented [illegible] some favourable signs were appearing with overnight rates beginning to tick down, and expectations [illegible] the market would [illegible] support at the 17,500-18,000 [illegible].

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 4								THE EUROPEAN SERIES
Hourly changes	Open	[illegible]	11.00	12.00	[illegible]	[illegible]	[illegible]	Close
FT-SE Eurotrack [illegible]	1524.78	1528.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	1592.90	[illegible]	[illegible]	[illegible]

	[illegible]	[illegible] 2	Feb 1	[illegible]	[illegible]
[illegible] Eurotrack 100	1527.17	1540.13	1532.83	1540.19	1510.22
FT-SE Eurotrack 200	1594.74	1607.10	1598.18	1604.26	[illegible]

Base value 1000 (26/10/90) High/day: 100 - 1533.03; 200 - 1607.86 Low/day: 100 - 1524.78 200 - 1589.12.

ASIA PACIFIC

Nikkei edges ahead in spite of uncertainty

Tokyo

Equities closed marginally higher in thin trading in spite [illegible] the [illegible] government's withdrawal of its tax and fiscal stimulus plan, *writes Emiko Terazono in Tokyo.*

Sentiment was encouraged, however, following [illegible] by Mr Morihiro Hosokawa, the prime minister, that a new package would be formulated and announced next week.

The [illegible] index [illegible] up [illegible] [illegible] the day's peak of 20,301.43 after a low of 20,034.80 in the early afternoon. The index has risen 8 per cent over the week. The Topix [illegible] [illegible] all first section stocks edged up 2.07 [illegible] 1,614.80 and, in London, the ISE/Nikkei 50 index [illegible] 3.22 to 1,336.39.

Volume was 370m shares after Thursday's 540m [illegible] many investors remained absent because of the prolonged political haggling. Traders expect [illegible] next week ahead of Mr Hosokawa's [illegible] with Mr Bill Clinton, [illegible] US president, on Friday. However, they fear that a sell-off could be triggered if the government scaled down its income tax cut from Y6,000bn as originally announced. Advances led declines by 609 to 422.

Speculative issues were higher on [illegible] trading by individuals. Hanwa, the [illegible] trader, [illegible] Y23 [illegible] [illegible] and Mitsumi [illegible] gained Y30 to Y1,900.

Honda Motor, which had declined recently following BMW's acquisition of Rover, recovered Y[illegible] [illegible] Y1,570. Nissan Motor fell Y15 to Y840 on profit-taking.

Many banks continued to fall on selling by corporate investors. Industrial Bank of Japan [illegible] Y70 [illegible] Y3,130 [illegible] [illegible]tomo Bank Y30 to Y2,160.

In Osaka, [illegible] OSE [illegible] [illegible] 70.55 to 21,[illegible] in volume of 133.1m shares.

Roundup

A round [illegible] profit-taking was seen in some Pacific Rim markets, trimming advances seen over previous sessions.

HONG KONG rose sharply [illegible] institutional demand [illegible] blue chips. [illegible] [illegible] [illegible] index a[illegible] [illegible] [illegible] [illegible] per cent, [illegible] 12,157.57, for a [illegible] rise of 6.8 per cent.

HSBC Holdings [illegible] [illegible] day's [illegible], up HK$7 [illegible] HK$131, while Hang [illegible] Bank leapt HK$2.50 to HK$80.00.

Among gains elsewhere Jardine [illegible] surged [illegible] to HK$31.50 and [illegible] Pacific HK$2.50 to [illegible].

Turnover was HK$10.5bn.

MANILA advanced for the third [illegible] session, reflecting renewed investor confidence after bombings and street protests over recent fuel price rises.

The composite index [illegible] 46.39 or 1.6 per cent to [illegible], a weekly rise of 1.2 per cent. Volume surged [illegible] 23.1bn shares from Thursday's 2.4bn.

SEOUL saw renewed interest in banking shares which balanced [illegible] [illegible] [illegible] blue chips. The composite index added 9.40 to 964.42, a week's rise of [illegible] per cent, while the banking sub-index rose 23.60 to 582.08.

TAIWAN fell 1.7 per cent on profit-taking after four days of rises with the selling triggered by Thursday's [illegible] that the cabinet had approved the reimposition of [illegible] [illegible] capital gains tax.

The weighted index ended [illegible] lower [illegible] 6,256.33, off an intra-day low [illegible] 6,181, [illegible] a 4 per cent [illegible] over the [illegible]. Turnover [illegible] heavy [illegible] T$100.97bn against Thursday's T$122.86bn.

AUSTRALIA ended down but [illegible] [illegible] [illegible] on [illegible] [illegible] day of profit-taking [illegible] [illegible] in futures and overseas markets.

The All Ordinaries index closed 7.8 [illegible] at 2,332.8, [illegible] was still 3.2 per cent higher on the week.

NEW ZEALAND pulled back as profits [illegible] taken after the [illegible] [illegible] the previous 10 [illegible]sions. But renewed demand [illegible] the lower prices enabled the NZSE-40 capital index to pick up from [illegible] day's [illegible] [illegible] 2400.12, to finish [illegible] easier at 2,413.24, for [illegible] 3.2 per cent [illegible] on the [illegible].

KUALA LUMPUR [illegible] pushed lower by a 20 cent decline in Telekom Malaysia which [illegible] [illegible] [illegible], [illegible]ing the composite index off 2.89 [illegible] 1,147.32. [illegible] market [illegible] gained 5 per cent this week.

BOMBAY declined tow[illegible] [illegible] [illegible] profit-taking in [illegible] shares and squaring up of [illegible] in [illegible] specified section ahead of the fixing of carry forward charges today. The BSE 30-share index closed 83.39 [illegible] at 3,917.57.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 3 1994 US Dollar Index	Day's Change [illegible]	Pound [illegible]	[illegible] Index	DM Index	Local Currency Index	[illegible] % chg on day	[illegible] Yield	WEDNESDAY FEBRUARY 2 1994 US Dollar [illegible]	Pound Sterl[illegible]	[illegible] Index	DM [illegible]	Local Currency [illegible]	DOLLAR INDEX 1993/94 High	[illegible] Low	[illegible] (approx)
Australia (69)	189.15	1.4	187.21	129.19	170.27	[illegible]	1.3	[illegible]	[illegible]	[illegible]	127.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (17)	192.38	-0.7	[illegible]	131.39	[illegible]	[illegible]	[illegible]	0.92	[illegible]	192.20	[illegible]	[illegible]	[illegible]	195.41	139.23	[illegible]
Belgium (42)	187.37	0.0	[illegible]	114.31	[illegible]	147.74	-0.1	3.89	187.31	185.92	114.27	[illegible]	[illegible]	[illegible]	138.95	139.16
Canada (107)	142.56	-0.2	141.09	97.36	128.32	[illegible]	-0.3	2.45	142.90	141.71	97.60	[illegible]	[illegible]	[illegible]	115.21	115.21
Denmark (32)	273.81	-0.7	271.00	187.00	246.47	[illegible]	-0.8	0.91	275.79	273.50	188.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (22)	155.74	1.0	154.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	65.60
France (99)	183.54	-1.0	[illegible]	125.35	165.21	[illegible]	-1.2	2.75	[illegible]	183.83	[illegible]	[illegible]	171.21	[illegible]	[illegible]	[illegible]
Germany (59)	135.03	[illegible]	133.65	92.22	121.55	[illegible]	-1.0	1.75	[illegible]	[illegible]	[illegible]	122.79	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (56)	482.63	0.1	[illegible]	329.63	[illegible]	478.57	[illegible]	2.22	[illegible]	477.90	[illegible]	[illegible]	[illegible]	[illegible]	227.97	[illegible]
Ireland (14)	205.05	-0.1	[illegible]	140.04	184.57	200.33	[illegible]	2.78	[illegible]	203.49	[illegible]	185.02	[illegible]	[illegible]	[illegible]	[illegible]
Italy (68)	75.72	[illegible]	74.94	51.72	[illegible]	[illegible]	-1.3	1.72	[illegible]	75.79	52.20	[illegible]	[illegible]	[illegible]	[illegible]	59.01
Japan (469)	149.78	-0.8	148.24	[illegible]	[illegible]	[illegible]	[illegible]	0.80	150.97	149.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (69)	521.72	1.8	516.36	356.32	[illegible]	566.28	1.7	1.31	512.71	[illegible]	[illegible]	[illegible]	547.17	[illegible]	267.41	267.41
Mexico (18)	2569.30	-0.3	2542.85	1754.74	2312.70	[illegible]	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	2323.97	8750.19	[illegible]	1410.30	1535.16
Netherland (26)	206.[illegible]	-0.0	204.85	141.35	186.32	[illegible]	-0.1	[illegible]	[illegible]	205.28	[illegible]	[illegible]	[illegible]	207.43	[illegible]	153.70
New Zealand (14)	77.59	0.9	76.79	[illegible]	[illegible]	72.11	1.0	[illegible]	76.91	[illegible]	[illegible]	[illegible]	71.40	77.59	[illegible]	[illegible]
Norway (23)	203.09	0.3	201.58	139.11	[illegible]	205.77	[illegible]	[illegible]	[illegible]	201.43	138.73	183.14	[illegible]	203.69	138.48	138.48
Singapore (45)	357.97	[illegible]	354.29	244.49	322.23	[illegible]	0.8	1.58	[illegible]	352.00	242.43	320.04	[illegible]	378.92	213.57	221.76
South Africa (60)	260.37	0.4	257.69	177.82	234.36	[illegible]	0.9	2.27	[illegible]	[illegible]	177.07	233.76	[illegible]	280.26	160.78	162.98
Spain (42)	153.92	-0.4	152.33	105.12	[illegible]	163.86	[illegible]	[illegible]	154.54	[illegible]	105.65	139.34	[illegible]	15[illegible]	[illegible]	[illegible]
Sweden (36)	228.52	-0.0	226.18	156.08	205.71	266.10	-0.7	1.31	228.53	[illegible]	156.09	206.06	[illegible]	22[illegible]	[illegible]	149.69
Switzerland (49)	175.67	0.1	173.86	119.98	158.13	157.48	-0.4	1.38	[illegible]	174.02	119.85	158.21	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (215)	213.88	-0.5	211.67	[illegible]	[illegible]	211.67	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	193.82	[illegible]	[illegible]	[illegible]	166.23
USA (518)	195.56	-0.2	[illegible]	[illegible]	176.03	195.56	-0.2	[illegible]	[illegible]	[illegible]	133.89	176.75	[illegible]	[illegible]	[illegible]	[illegible]
EUROPE (744)	177.70	-0.5	[illegible]	121.36	159.95	[illegible]	-0.7	2.66	178.58	177.09	121.97	161.01	[illegible]	[illegible]	134.77	[illegible]
Nordic (113)	220.07	0.0	217.81	150.30	198.10	224.80	-0.5	1.10	[illegible]	218.24	[illegible]	[illegible]	225.89	[illegible]	[illegible]	[illegible]
Pacific Basin (722)	162.97	-0.5	161.30	111.31	146.70	115.42	[illegible]	1.05	[illegible]	162.45	111.88	147.70	[illegible]	[illegible]	109.72	[illegible]
Euro-Pacific (1466)	168.94	-0.5	[illegible]	116.38	152.07	[illegible]	-0.6	1.75	[illegible]	168.39	115.97	[illegible]	137.70	170.78	120.19	[illegible]
North America (625)	192.26	-0.2	190.28	131.31	173.06	191.51	-0.2	2.67	192.73	191.13	131.83	173.77	191.98	192.73	172.67	178.60
Europe Ex. [illegible]	154.98	-0.5	153.38	105.85	139.50	148.80	-0.8	2.17	155.73	154.44	106.37	140.42	147.91	155.73	115.55	115.56
Pacific Ex. Japan (253)	289.34	[illegible]	286.37	197.61	[illegible]	[illegible]	[illegible]	[illegible]	286.91	284.53	195.96	258.70	263.97	[illegible]	[illegible]	156.65
World Ex. US (1651)	170.83	-0.5	169.08	116.67	[illegible]	140.21	-0.8	[illegible]	[illegible]	[illegible]	117.24	[illegible]	141.02	172.51	[illegible]	[illegible]
World Ex. UK (1354)	174.59	-0.4	172.80	119.24	157.16	152.38	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	158.02	153.04	[illegible]	[illegible]	138.74
World Ex. So. Af. (2109)	177.54	-0.4	175.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	178.25	176.77	121.75	[illegible]	157.49	[illegible]	140.95	141.09
World Ex. Japan (1700)	194.73	-0.2	192.73	[illegible]	[illegible]	[illegible]	-0.3	2.60	195.20	193.57	[illegible]	176.00	[illegible]	[illegible]	[illegible]	16[illegible]
The World Index (2169)	176.02	-0.[illegible]	[illegible]	[illegible]	1[illegible]	157.52	-0.5	[illegible]	[illegible]	177.23	122.06	161.14	[illegible]	178.97	141.01	141.14

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts [illegible]	Jul	Oct
Allied-Lyons	[illegible]	51½	60½	69	9	28	30½
(*535)	[illegible]	22	33	44	31	52	55
Argyll	240	28½	34	37½	6½	14	17½
[illegible]	260	18	23	27½	15½	24½	27½
ASDA	60	6	[illegible]	16½	6½	7	9
(*60)	70	2½	[illegible]	6	12½	14	15½
Brit Airways	460	43½	54	62½	13	22	28
(*487)	500	20	33	42	28	42½	47½
[illegible]	420	28	41	[illegible]	22	32	39
(*426)	[illegible]	[illegible]	25	33½	46½	56	62
Boots	550	28	[illegible]	40	19½	32	[illegible]
(*551)	600	6½	20	26	53	63½	67½
BP	360	32½	[illegible]	47½	9	[illegible]	19½
[illegible]	[illegible]	16	25	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	15½	20½	24	1	[illegible]	[illegible]
(*139)	140	[illegible]	15½	16½	9	13	15½
Bass	550	[illegible]	43	51	22	34½	38½
(*550)	600	11½	22½	30	[illegible]	[illegible]	[illegible]
[illegible]	525	30½	52½	–	17	[illegible]	–
[illegible]	550	[illegible]	38½	[illegible]	29½	42	48½
[illegible]	500	53½	62	66½	6½	17½	22½
(*540)	550	21½	32½	41	28½	41½	46½
Comm Union	650	41	56½	63½	17½	27½	34½
[illegible]	700	[illegible]	31½	38½	46½	55	61½
ICI	800	36	[illegible]	[illegible]	[illegible]	51	61
(*811)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	600	66	[illegible]	90½	11	23	31
(*641)	650	30	[illegible]	64	33	43½	55
Land Secur	750	42½	62	[illegible]	11½	[illegible]	[illegible]
(*770)	800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	59
[illegible]	420	[illegible]	[illegible]	[illegible]	11½	[illegible]	[illegible]
(*421)	[illegible]	9½	[illegible]	16½	41½	[illegible]	[illegible]
NatWest	550	37	51½	59	[illegible]	[illegible]	[illegible]
(*575)	600	[illegible]	28½	36	40½	56	62
Sainsbury	360	25	34	41	[illegible]	[illegible]	[illegible]
(*361)	390	12	22	[illegible]	[illegible]	[illegible]	51
Shell Trans.	700	33½	47½	[illegible]	[illegible]	27	[illegible]
(*721)	750	9½	25	32	50½	55½	63
Storehouse	220	18½	24½	28½	7	12½	15
(*229)	240	8	14½	18½	17½	23	[illegible]
Trafalgar	115	13½	18½	–	8	13	–
(*118)	120	11	16½	18½	11	15½	18
Unilever	1200	[illegible]	83	105	[illegible]	42½	50½
(*1[illegible])	1250	32½	65½	75½	55	[illegible]	74
Zeneca	[illegible]	49½	65½	79	24	[illegible]	49
(*792)	[illegible]	22½	41½	54	52½	64	75½
Option		Feb	May	Aug	Feb	May	Aug
Grand Met	[illegible]	[illegible]	33	42½	8	17½	25
(*470)	500	[illegible]	14½	23½	33½	40½	47
Ladbroke	200	[illegible]	19½	25	[illegible]	[illegible]	21
(*206)	220	3	[illegible]	[illegible]	17	28½	33
Utd Biscuits	330	32½	37½	41½	2	8½	14
(*358)	360	9	18½	24½	11½	25	30½
Option		Mar	Jun	Sep	Mar	Jun	Sep
[illegible]	130	15	21	27	6½	12	16½
[illegible]	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	22
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	550	43	[illegible]	54½	13	35	43
(*582)	[illegible]	18	45	61	36½	61½	69
[illegible]	[illegible]	22	[illegible]	41	[illegible]	24½	35½
(*511)	550	[illegible]	13	[illegible]	43	58½	66½
BTR	360	26½	32½	39	[illegible]	12	15
[illegible]	390	[illegible]	16	23½	[illegible]	27	30½
Brit Telecom	[illegible]	[illegible]	28	37	4½	12	21
(*469)	[illegible]	2½	9½	17½	32½	36	43½
[illegible]	493	27	32½	–	3	17	–
(*514)	5[illegible]	2½	10½	–	31	47½	–
Eastern Elec	700	24	45	58	9½	24	38½
(*712)	750	5	[illegible]	[illegible]	42	50	67½
[illegible]	500	31½	[illegible]	[illegible]	5½	21	29½
(*525)	550	8	19½	31½	[illegible]	[illegible]	58
GEC	330	22	32	37	2	5½	12
(*350)	360	4½	[illegible]	19½	[illegible]	[illegible]	27

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Hanson	260	16	19½	25	2	8	12½
(*292)	300	3½	9½	14½	10½	18	23
Lasmo	130	12	[illegible]	25	4½	12½	[illegible]
(*136)	140	5	[illegible]	20	9	17½	[illegible]
Lucas Inds	220	13	20½	27	4½	12	16½
(*228)	240	3½	11	17½	16	23½	27½
P & O	700	30	50½	65½	[illegible]	33½	47½
(*718)	750	7	[illegible]	38	[illegible]	[illegible]	[illegible]
Pilkington	180	14½	21	28	3	9	[illegible]
(*190)	200	5	9½	18½	13½	20½	[illegible]
Prudential	330	29	33	38	2	8	[illegible]
(*355)	360	7½	14	21	12	23½	[illegible]
RTZ	850	28½	61½	70½	[illegible]	[illegible]	47½
[illegible]	900	[illegible]	[illegible]	[illegible]	34	64½	75
Redland	600	27	41½	50½	8	30	39
(*616)	650	[illegible]	[illegible]	29	38	61½	68½
Royal Insce	317	24	–	–	3	–	–
(*337)	346	6½	–	–	15½	–	–
[illegible]	220	6½	16½	[illegible]	6½	16	18
(*223)	240	2½	7½	13	20	29½	30½
[illegible]	600	24½	47	66½	11½	29½	44½
(*611)	650	5½	26½	44	[illegible]	58	72
Williams	[illegible]	33	[illegible]	14½	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	22	28	9	[illegible]	[illegible]
Option		Apr	Jul	[illegible]	Apr	Jul	[illegible]
BAA	1050	54½	72½	92½	29½	47½	56½
(*1084)	[illegible]	[illegible]	46	38	57	[illegible]	[illegible]
Thames Wtr	550	[illegible]	66	68½	7½	18	22
(*[illegible])	600	23½	34	40½	24½	46	48½
Option		Mar	Jun	Sep	Mar	Jun	[illegible]
Abbey Natl	500	[illegible]	28	38½	21½	28½	36½
(*501)	550	[illegible]	11	19½	60	63½	68½
Amstrad	[illegible]	[illegible]	8	10	3	6	6½
(*47)	[illegible]	3	5½	6	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	46	58	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	38	[illegible]	55½	[illegible]
[illegible]	350	20½	[illegible]	37½	[illegible]	25½	34
(*385)	390	7½	[illegible]	25½	[illegible]	[illegible]	53
British Gas	[illegible]	[illegible]	30	34	8	12	16
(*347)	360	7	13	19½	16½	29	32½
Dixons	200	18½	27	32½	6	11	16
(*210)	220	8½	17	22½	[illegible]	21	29
Hillsdown	[illegible]	21	23	26½	2½	7½	9½
(*176)	[illegible]	7½	11½	18	10½	18½	21
Lonrho	160	19	26	33	7	13	18½
(*170)	180	9	17	24	17	[illegible]	29½
Natl Power	460	[illegible]	46	58	12	20½	31½
(*480)	500	14	28½	37½	32½	43	53½
Scot Power	420	39	50½	58	5½	12	20
(*450)	460	14	27½	36½	21	[illegible]	39
[illegible]	120	11½	14	18	[illegible]	[illegible]	7½
(*127)	130	5½	8½	11	7	11	13
[illegible]	[illegible]	[illegible]	[illegible]	2[illegible]	9½	19	23½
(*262)	280	6	11½	18½	22½	32	35½
Tarmac	193	[illegible]	[illegible]	–	9½	16	–
(*195)	[illegible]	[illegible]	[illegible]	23½	13½	19½	24½
Thorn EMI	[illegible]	[illegible]	[illegible]	[illegible]	19	32½	53
(*1139)	1150	32½	82	78½	[illegible]	[illegible]	76
TSB	260	12	21½	28	12	[illegible]	24
[illegible]	300	[illegible]	[illegible]	19½	26½	[illegible]	[illegible]
Tomkins	260	13½	22	27½	9	13½	20½
(*263)	280	5	13	[illegible]	[illegible]	[illegible]	32
Wellcome	650	35½	55	74½	26	47	[illegible]
[illegible]	700	15½	35	53½	59½	77	89
[illegible]		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	650	47	70	81	31½	47½	62
(*668)	700	24½	47	59	61	75	91
HSBC 75p shs	1100	70½	114	135	73	97½	121
(*1102)	[illegible]	46	91	[illegible]	104	[illegible]	[illegible]
Reuters	[illegible]	[illegible]	156	[illegible]	70	[illegible]	[illegible]
(*1936)	1950	83½	130	178	95	127	[illegible]
Option		Feb	May	Aug	Feb	May	Aug
Rolls-Royce	175	7½	–	–	6	–	–
(*177)	195	1½	–	–	20	–	–

* Underlying security price. Premiums shown are based on closing offer prices.
February 4, Total contracts: 42,022 Calls: 26,377 Puts: 15,645

FT GOLD MINES INDEX

	Feb 3	% chg on day	Feb 2	[illegible] 1	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	2213.99	+0.2	2209.65	2223.47	1034.70	1.75	2367.40	1034.70
■ Regional Indices								
Africa (15)	2925.61	-1.6	2972.60	2876.80	1145.28	[illegible]	3440.80	1131.82
Australasia (8)	[illegible]	+0.9	2939.63	2945.35	1089.86	1.53	3013.89	1074.01
North America (11)	[illegible]	[illegible]	[illegible]	1924.91	995.45	0.50	2039.65	995.45

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Feb. 4: 232.6 ; day's change: [illegible] points; [illegible]: 79.0 † Partial
Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	[illegible]	72	5	78	252	59
Other Fixed Interest	[illegible]	2	13	12	13	50
Mineral Extraction	70	57	80	436	230	370
General Manufactures	182	149	373	1,197	[illegible]	1,710
Consumer Goods	42	61	90	281	[illegible]	470
Services	122	129	270	652	[illegible]	[illegible]
Utilities	15	19	12	138	63	[illegible]
Financials	103	62	205	678	346	[illegible]
Investment Trusts	66	167	[illegible]	940	351	1,033
Others	34	55	23	241	[illegible]	117
Totals	[illegible]	793	[illegible]	[illegible]	[illegible]	[illegible]

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Jan. 24	Last [illegible]	April 21
Last Dealings	[illegible]	For [illegible]	May 3

Calls: Aminex, Amstrad, Babcock, Barratt Dev, Bougainville, Carpetright, European Colour, Galliford, Hay (N), Merchant Retail, Minorlot, Phonelink, Renison Gold, Rhino, River & Merc, Shield Pref, Tunstall, Waverley Mng. Puts: Carpetright, Merchant Retail, Minmet. Puts & Calls: Babcock, First Nat Fin, Greenwich, Greycoat, Lonrho, Premier Cons Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	[illegible] cap (£m.)	1993/94 High	Low	Stock	[illegible] price p	+/-	[illegible] div.	Div. cov.	Grs yld	P/E net
–	F.P.	[illegible]	75¼	66¾	Baring Emrg Euro	74½	-¼	–	–	–	–
–	F.P.	[illegible]	49½	33¼	Do Warrants	42¾		–	–	–	–
§90	F.P.	[illegible]	127	[illegible]	[illegible] Fin Sol	126	+1	N-	–	–	18.6
100	F.P.	[illegible]	[illegible]	98	Fa[illegible]m Eur Sm	98½		–	–	–	–
[illegible]	F.P.	[illegible]	122	100	For & Col Small C	121¼		–	–	–	–
60	P.P.	18.0	60	59	Friends Prov Eth	60		–	–	–	–
120	P.P.	38.4	[illegible]	121	Do. Units	[illegible]		–	–	–	–
[illegible]	P.P.	[illegible]	[illegible]	61	Do. Zero Div Pf	61½	-½	–	–	–	–
–	F.P.	5.63	83	83	Pantheon Wrts	[illegible]		–	–	–	–
§10	F.P.	[illegible]	[illegible]	[illegible]¼	Rossmont	[illegible]		–	–	–	–
–	F.P.	[illegible]	[illegible]	9	Thornton P.E. Wts.	14		–	–	–	–
–	F.P.	3.10	52[illegible]	51	Do. Zero Div. Pf.	51¾	-¼	–	–	–	–

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, [illegible] refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	[illegible]	
80	P.P.	-	88pm	80pm	[illegible] Cv Ln [illegible]	88pm	
-	F.P.	-	110¼p	99¼p	Sun Alliance 7⅜pc Pf	108¼p	
-	F.P.	18/2	153½p	127½p	Trafalgar Hse Cv Rd Pf	151¼p	-2¼
-	F.P.	-	131	[illegible]	Witan 6¼pc Bds	130	

RIGHTS OFFERS

[illegible] price [illegible]	[illegible] up	[illegible] Renun. [illegible]	1993/94 [illegible]	Low	Stock	[illegible] price [illegible]	+or-
[illegible]	Nil	17/2	[illegible]	8pm	Anglo Irish	[illegible]	
120	Nil	16/3	112pm	103pm	Beresford	112pm	
88	Nil	9/2	25½pm	9pm	Crest Nicholson	25½pm	+1½
[illegible]	Nil	9/2	1⅜pm	[illegible]	½Ramus	1⅜pm	
[illegible]	[illegible]	25/2	11pm	[illegible]	Worthington	11pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	[illegible] 4	Feb 3	Feb 2	Feb 1	Jan 31	Yr ago	*High	[illegible]
Ordinary Share	[illegible]	[illegible]	2713.6	[illegible]	2677.2	2218.6	2713.6	2124.7
Ord. div. yield	3.48	3.45	[illegible]	3.48	3.47	4.28	4.52	3.43
Earn. yld. % full	3.94	3.91	[illegible]	3.94	3.93	[illegible]	[illegible]	[illegible]
P/E ratio net	31.99	32.29	32.46	32.05	[illegible]	[illegible]	32.46	[illegible]
P/E ratio nil	29.65	29.93	30.09	29.71	29.79	20.19	[illegible]	[illegible]

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

[illegible]	9.00	10.00	[illegible]	12.00	[illegible]	14.00	[illegible]	16.00	High	[illegible]
2695.1	2678.4	2679.4	2681.6	2681.7	2681.2	2684.1	2670.9	2675.6	2695.3	2669.2

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Yr ago
SEAQ bargains	[illegible]	45,613	[illegible]	[illegible]	45,756	35,741
Equity turnover (£m)†	-	[illegible]	2095.5	2165.3	1766.4	1474.6
Equity bargains†	-	[illegible]	48,737	49,417	50,709	40,997
Shares traded (m)†	-	[illegible]	936.6	[illegible]	878.0	605.2

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24¼	-⅛	£25¼	£18¼	[illegible]	4.3	12.9
ANZ A$		269	+3½	269	130	[illegible]	3.4	21.2
Abbey National	†□	486	-4	524	345	[illegible]	3.0	19.2
Allied Irish I£	♣†a□	289	-3	314	179	[illegible]	3.6	14.8
Anglo Irish I£	M□	68xd	—	*70	29	[illegible]	0.3	12.4
Asahi Y		682	-6¼	844	415	16,055	0.6	-
Banco Bil Viz Pta		£16⅛	+⅛	£17¾	£13½	3,738	5.1	7.3
Banco Sant Pta		£32⅛	—	£36	£24⅛	3,589	4.1	12.2
Bank Leumi (UK)		375	—	375	325	29.6	5.7	-
Bk Ireland I£	♣a□	297	-6	*319	177	1,400	4.2	21.9
Bank Scotland	♣†□	228½	+2	247	116½	2,671	2.5	31.2
9¼pc Pf		140¼	-½	141½	117¼	140.2	8.2	-
9¼pc Pf		147¼	-½	148½	123½	147.2	8.3	-
Barclays	†M□	615	-9	652	362	9,981	2.5	-
Dai Ichi Kan Y		£12⅜	-⅛	£15⅜	£8⅝	37,951	0.4	67.3
Deutsche DM		£316⅜	—	£348⅞	£250½	15,054	1.9	-
Espirito Santo		£26⅜	+⅛	£26⅜	£16½	281.4	3.0	6.3
First Nat Fin	N□	69xd	—	*95	45	148.7	2.1	♠
6.3pc Cv Pf		88	—	*91	55	6.82	8.9	-
7pc Cv Pf		167	—	168	106	79.2	5.2	-
Fuji Bank Y		1384	+9¼	1651	876	40,073	0.4	-
HSBC HK	†□	1117	+41	1133	474	19,057	2.2	28.7
HSBC (75p Sbs)	†□	1098	+43	1113	490	9,022	2.3	26.3
Lloyds	†□	635	-14	690	482	8,025	3.8	17.9
Mitsubishi Y		£19⅛	-⅛	£19¾	£11⅛	62,058	0.3	-
Mits Tst & Bk Y		883¼	-15¼	1012½	462½	11,508	0.6	14.2
Mitsui Tst & Bk Y		725½	+9	852	374	8,694	0.7	24.7
Nat Aust A$		613	-7¼	620¼	322	8,059	3.9	14.9
NatWest	†□	509	-12	604	396	8,458	3.9	34.6
Ottomane FFr		[illegible]	-⅛	223	£23¼	161.9	4.6	9.5
Ryl Bk Scotland	♣M□	[illegible]	+2	528	207	[illegible]	2.6	23.5
Sakura Y		[illegible]	+⅛	£11	£5¼	[illegible]	[illegible]	58.9
Sanwa Y		[illegible]	-⅛	£10	£7¼	[illegible]	[illegible]	-
Standard Chartd	†□	[illegible]	+16	1487	576	[illegible]	[illegible]	-
7 3/8pc Prf		[illegible]	-¼	108½	105¼	106.0	[illegible]	-
Sumitomo Y		[illegible]	-¼	£19¾	£8⅝	41,877	[illegible]	28.7

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4814. (If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FINANCIAL TIMES
Weekend February 5/February 6 1994

Bank lending, [redacted] sales underline UK recovery

By Emma Tucker, [redacted]

A sharp acceleration in [redacted] bank lending and [redacted] big [redacted] in new [redacted] registrations yesterday underlined the UK economy's steady recovery.

[redacted] the private [redacted] by the [redacted] high [redacted] £3.13bn [redacted] the third quarter [redacted] £5.37bn in the fourth, [redacted] firming [redacted] upturn in bank lending [redacted] the previous [redacted] months.

The seasonally adjusted [redacted] was [redacted] biggest for [redacted] included [redacted] in borrowing by companies for [redacted] first time [redacted] June [redacted] according to [redacted] Bankers' [redacted] tion.

Further evidence [redacted] with the publication [redacted] figures for new [redacted] registrations for last month. They jumped [redacted] compared with [redacted] ago [redacted] demand for new [redacted] accel[redacted]. Adding [redacted] news, confidential [redacted] figures from [redacted] of the UK's housebuilders [redacted] that [redacted] new [redacted] picked [redacted] strongly [redacted] month. The statistics, collected by the [redacted] Builders Federation, indi[redacted] that the [redacted] in [redacted] house sales, which began [redacted], had [redacted] in spite [redacted] forthcoming [redacted].

Lord Inchyra, [redacted] general of the [redacted] association [redacted] bank borrowing by [redacted] company sector – after [redacted] than [redacted] repayments – was the reason for the upturn in lending.

However, [redacted] the [redacted] financial sector, with very little flowing into industry. Lending [redacted] facturers [redacted] for the first [redacted] in three [redacted], but the seasonally [redacted] quarterly increase [redacted] was marginal.

"The feeling [redacted] there is still not [redacted] pick-up in lending to the real economy, [redacted] perhaps things are turning," said Mr John Ecklin, [redacted] of [redacted] at [redacted] association.

[redacted] lending was entirely responsible for the quarter's rise in personal borrowing, with lending for consumption still down. The [redacted] were tending [redacted] borrow from [redacted] houses – [redacted] than banks – for [redacted] items, particularly cars.

It [redacted] that [redacted] big quarterly [redacted] in private sector bank lending would [redacted] greater but [redacted] the [redacted] nearly £800m [redacted] personal lending.

[redacted] allowing for the [redacted]ation of mortgages, the annualised growth rate [redacted] private sector lending by the nine main banking groups rose to 8.6 per cent.

Car market recovery, Page 5
Home sales rise, Page 5

Internet 'break-ins' add to fears on computer security

By Louise Kehoe in San [redacted]

[redacted] of thousands [redacted] of [redacted] Internet, a global "information highway", [redacted] had their [redacted] words stolen, leaving their pri[redacted] computer [redacted] vulnerable [redacted] intruders.

Internet [redacted] a [redacted] international network linking computers in businesses, universities [redacted] homes. [redacted] the [redacted] grown rapidly, especially [redacted] companies, which see it as [redacted] low-[redacted] international [redacted] mail system. Up [redacted] 1m new [redacted] month [redacted] tapping [redacted] Internet, [redacted].

"Intruders [redacted] already [redacted]tured [redacted] information for [redacted] of thousands of [redacted] the Internet," says an advisory bulletin issued by the Computer Emergency Response Team (Cert), a US-government [redacted] panel [redacted] computer experts that oversees Internet security.

The alert was issued on Thursday night after [redacted] rash [redacted] puter "break-ins", computer [redacted]rity experts said. Although the extent of the security breaches is not yet clear, numerous computers in the US and other countries have been invaded, experts said.

[redacted] passwords have apparently been [redacted] illicitly by people using sophisticated surveillance software that records the first words typed by [redacted] legiti[redacted] Internet [redacted] when he or she establishes a link to the network. [redacted] include [redacted] user's name and password.

Cert has warned Internet users to change their passwords, but acknowledges that this is not a permanent solution because new passwords may also be recorded.

Security [redacted] the [redacted] is [redacted], said Mr [redacted] Baker, head [redacted] the information security programme at SRI International, a [redacted] consultancy. "This is an international problem. There [redacted] now many, many people doing unethical things on the Internet."

Armed with [redacted] passwords, Internet "highwaymen" are stealing information, destroying files and changing passwords so that legitimate users lose access to the network, Dr Baker said.

[redacted] security problems on the [redacted] questions about future "information superhighways" [redacted] the [redacted] administration is promoting as a boon to the economy and society.

THE LEX COLUMN

The Fed rides in

When the Federal Reserve decides to tighten monetary conditions for the first time since 1989, the immediate thought is that the long bull phase in financial markets must have [redacted] to an end. Certainly US equities took fright at the news, and the bond market was weaker. Look behind the unusual [redacted] with which yesterday's announcement [redacted] delivered, though, and Mr Alan Greenspan appears like a man who, to parody President Theodore Roosevelt, speaks loudly and carries a small stick. All that has actually happened is that the Federal Reserve has signalled a move in the federal funds rate from 3 to 3.25 [redacted] cent. That should [redacted] turn the world upside down.

Mr Greenspan's [redacted] was [redacted]. The federal funds rate was originally set at 3 per cent to protect the US economy and financial system from a deflationary credit crunch. The banking system is healthy again, while the economy has recovered to the point [redacted] capacity shortages [redacted] to [redacted] horizon. [redacted] inflationary [redacted] are not yet visible [redacted] the [redacted] remains patchy. Yesterday's tightening appeared [redacted] pre-empting [redacted] inflation without stopping growth.

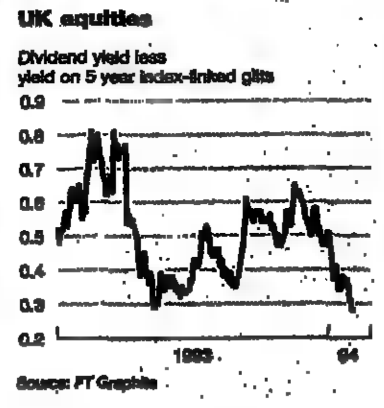
Mr Greenspan's willingness to [redacted] so early, [redacted] when he [redacted] faces important congressional testimony within [redacted] weeks, [redacted] a powerful demonstration of intent to keep the lid on inflation. That [redacted] just be sufficient [redacted] bond market. If so, [redacted] risk [redacted] further tightening [redacted] other markets [redacted] return, [redacted] or [redacted] to [redacted] as normal. A wholesale repatriation of the [redacted] investment funds from Europe and emerging markets in Asia would be unlikely.

But it is a close call. A half point [redacted] the [redacted] funds rate would have been a greater initial shock but would also have had more of the flavour of a one-off move. Expectation of more tightening to come could keep financial markets under pressure. When they are falling, cash is worth holding even if money market rates are still low. If the dollar continues to rise sharply on anticipation of higher US [redacted], the attraction of overseas markets to US investors may also diminish. Its rise over DM1.76 last night, which incidentally will make German rate cuts harder to deliver, is not immediately auspicious.

Here again, though, much depends on [redacted] a quarter point is deemed convincing when the [redacted] has settled. Even if it is, there is little prospect of another sharp fall in US bond yields. The upside for equity markets, in the UK as well as in the US, must also be limited. UK equities in particular have spent a long time piggy-backing bonds. Now they will have [redacted] depend more on corporate earnings for momentum.

FT-SE Index: 3475.4 (-16.1)

UK equities



Source: FT Graphite

British Aerospace

Rumblings from Honda were only to [redacted] expected in the wake of British Aerospace's decision to sell Rover to BMW. Revenge is, after all, often the first thought of jilted brides. Whether Honda will carry through its veiled threats [redacted] the nice calculation which BMW has to weigh. While the deal was consummated quickly, the courtship between Rover and BMW went on for four months, so BMW has had time to consider the nature of the relationship. It has also made efforts to woo the Japanese carmaker in the last week. While Honda can still profit from the relationship, it will always be difficult to judge the response of a company which has been so badly slighted.

Elsewhere, the tidying up of BAe continues apace. Making provision for the leases on its turboprop aircraft will help prepare the business for merger with [redacted] joint-venture partner. The company says there is no need for a rights issue, which is no surprise since the Rover deal has released £2bn of cash and banking facilities. While the sale and provisions will shrink BAe's balance sheet, it has plenty of capacity to finance its defence business and any joint ventures it wishes to establish.

Talk about the departure of Mr John Cahill, [redacted] chairman, [redacted] this [redacted] comes at the end of a heavy phase of restructuring. If a suitably heavyweight non-executive is found [redacted] replace him, shareholders should [redacted] little [redacted] worry [redacted] the [redacted] ties to GEC being mooted by Mr Dick Evans, [redacted] chief executive. While he is clearly right that consolidation of the European defence industry is inevitable, there still remains the choice of national champions like a merged GEC and BAe or European-wide joint ventures along the lines of Tornado or Eurofighter. That battle has yet to be fought.

Newspaper Publishing

The struggle for control of the Independent newspapers [redacted] rapidly [redacted] into [redacted] Whitehall [redacted] with [redacted] Irish tycoon to [redacted] left, [redacted] Europe [redacted] magnates [redacted] the right, and [redacted] wicked Australian creating merry hell off stage. There now appear any number of possible conclusions to the confrontation which emerged yesterday. The MGN-led consortium, with the support of the Independent's founders, El [redacted] and La Repubblica, [redacted] intent on simply pressing ahead [redacted] its 250p [redacted] share offer. After all, [redacted] already controls 47 per cent. But that offer seems bound to fail at that price, given [redacted] Irish Independent [redacted] pers has just bought 25 per [redacted] a share. The consortium [redacted] unlikely ever to match that price.

Conversely, Mr Tony O'Reilly's Irish Independent group [redacted] hope to make any sense of its new investment without working with the consortium. That makes it imperative for Newspaper Publishing's non-executive directors to hammer out a speedy resolution. The two investing groups must be reconciled and the split board reunited if the fall in the newspapers' circulation is to be arrested.

Whatever the outcome, the episode has highlighted the poverty [redacted] expansion opportunities open to MGN. It has been keen [redacted] from [redacted] mature newspaper business. But with an unproven management team, £300m of debt, negative net worth if intangibles are excluded, and [redacted] share price rating at a substantial discount to other media groups, MGN has distinctly limited options. The Independent deal offers some scope for additional print capacity and cost savings. But it would be better to walk away than to sink further into a political quagmire when the financial upside appears so limited.

Anger over Portillo's attack

Continued from Page 1

an [redacted] level it [redacted] worked [redacted] it; go to any other country and when you have [redacted] an A [redacted] you [redacted] bought it".

He went on [redacted] say: "When you go into [redacted] you will win [redacted] you [redacted] what you do.

"Go to [redacted] number of [redacted] countries and [redacted] would [redacted] con[redacted] cousin [redacted] a minister or because [redacted] have lined the pocket of [redacted] public official."

Treasury [redacted] said Mr Portillo did [redacted] for [redacted] to come [redacted] in the way they [redacted].

Mr Portillo [redacted] said: "I [redacted]ised shortly [redacted] I had exaggerated and [redacted] a mistake. The point I was trying [redacted] make [redacted] that Britain's standards in public life compare favourably with [redacted] best in the world."

His [redacted] follow [redacted] speech lauding British institutions. Downing Street then [redacted] a plan by [redacted]retary for a further speech emphasising [redacted] Euro-sceptic [redacted]dentials.

Jack Cunningham, Labour's foreign [redacted] spokesman, said Mr Major [redacted] sack Mr Portillo for his "outrageous" comments.

Honda's technology controls threaten deal

Continued from Page 1

[redacted] remove licensed [redacted] components.

BMW, which carried out its inspection [redacted] before authorising [redacted] £800m investment in [redacted] unusually short [redacted] by motor industry standards, [redacted] yesterday that [redacted] of the potentially problem[redacted] agreements.

BMW [redacted] also [redacted] yesterday [redacted] a Honda pull-out would inflict enormous [redacted] on Rover. But the [redacted]pany is proceeding with the sale in [redacted] belief that the loss [redacted] Honda of an [redacted] £400m [redacted] revenue from parts [redacted] and other [redacted] the [redacted] will prevent Honda from taking the step.

"If they think [redacted] they really are gambling," [redacted] a spokesman for [redacted] Europe.

BMW [redacted] some comfort from Honda yesterday when Mr [redacted] Kawamoto, Honda's president insisted [redacted] his com[redacted] is not seeking to [redacted] an immediate crisis.

[redacted] suggestions [redacted] Honda's relationship with [redacted] and said [redacted] the [redacted] would consider [redacted] proposals from BMW. However, it [redacted] his [redacted] Honda's relationship with Rover was unlikely [redacted] to an end overnight.

Both companies are [redacted] oeuvring [redacted] gain the maximum advantage from this [redacted] shake-up [redacted] the world motor industry.

[redacted] Honda [redacted] preparing [redacted] counter-offer [redacted] the BMW deal [redacted] in [redacted] sharp [redacted] in BAe [redacted] yesterday, helped by news [redacted] clearing write-off on its turboprop [redacted].

But by last [redacted] any [redacted] of [redacted] had been denied by [redacted].

"It is [redacted] principle that Rover, which is the last UK [redacted] com[redacted], should [redacted] mainly by British people," Mr Kawamoto stressed in explaining why Honda decided against buying outright the UK carmaker.

Mr Kawamoto, making Honda's first [redacted] response [redacted] Rover's intended [redacted] – which has still [redacted] approved by BAe [redacted] – said [redacted] had been approached by BAe, Rover's parent, with the possibility of buying the company but had turned down the offer.

"We are [redacted] in [redacted] position to take the initiative on Rover so we would like, first [redacted] all, to [redacted] what [BMW] [redacted] say," Mr Kawamoto [redacted]. "There are so many possibilities, [redacted] make any [redacted] about our relationship with [redacted] until [redacted] hear from BMW."

Wall Street falls [redacted] Fed tightens monetary policy

Continued from Page 1

3¼ per cent. Prices [redacted] both long- and short-term government securities fell by about about half [redacted] point [redacted] heavy trading. By early afternoon the benchmark 30-year government bond was down ½ [redacted] 98[redacted], yielding [redacted] per [redacted].

On [redacted] foreign exchange markets [redacted] dollar strengthened in the expectation that higher [redacted] interest [redacted] would [redacted] dollar assets. [redacted] 1pm [redacted] currency [redacted] risen 1½ pfennigs against the D-Mark [redacted] DM1.755, and almost [redacted] yen [redacted] Y109.12.

Unlike the markets, [redacted] pleased. [redacted] John Lipsky, chief [redacted] Brothers, [redacted]: "They have underscored their [redacted]ness about controlling [redacted] pressures by acting in advance [redacted] market expectations."

The Clinton administration took a relaxed view of the move. [redacted] Laura Tyson, [redacted] president's council [redacted] advisers, [redacted] in short-term [redacted] consistent with [redacted] projected [redacted] cent [redacted] growth this [redacted].

The administration [redacted] been pressing other industrialised [redacted] policy [redacted] as [redacted] stimulate economic growth. [redacted] was no immediate expectation in Washington [redacted] policy change in [redacted] light [redacted] tightening, which still [redacted] short-term [redacted] low by international [redacted].

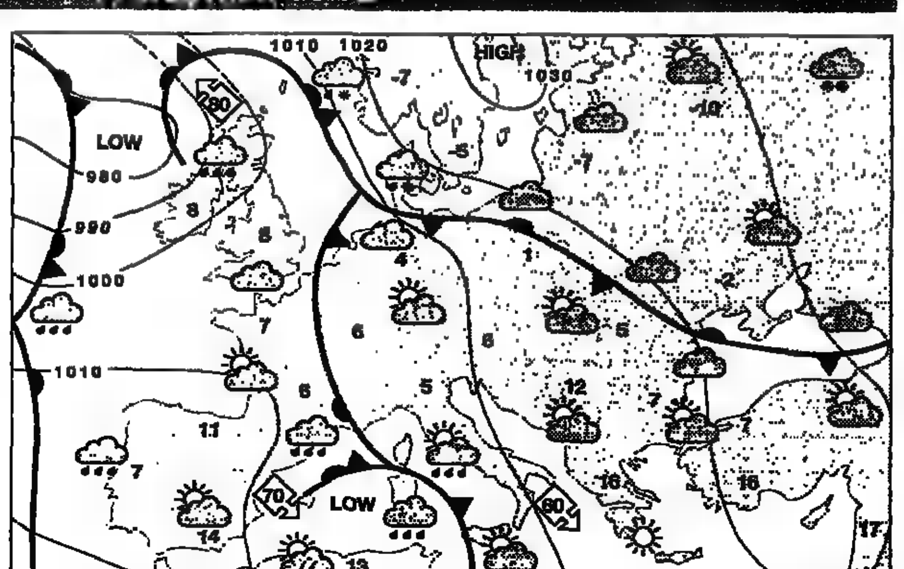
FT WEATHER GUIDE

Europe today

Low pressure over the western Mediterranean [redacted] rain [redacted] frequent [redacted] in [redacted] France and Italy. South-easterly [redacted] will bring overcast [redacted] and heavy rain and snow to the southern regions of the Alps. It will remain dry north of the Alps. The Benelux, Poland and [redacted] northern [redacted] will be calm and mainly cloudy with local fog or mist. It will [redacted] and wintry over Scandinavia. [redacted] are likely over the British [redacted] Portugal [redacted] Spain, but eastern Spain [redacted] enjoy sunny spells. [redacted] will [redacted] dry and sunny over Greece, Turkey and [redacted] southern Balkan states.

Five-day forecast

High pressure [redacted] the CIS will [redacted] in continued windy [redacted] northern Europe. Temperatures will [redacted] far [redacted] freezing point. The [redacted] Germany and [redacted] will continue to be calm and cloudy with locally persistent [redacted] patches during the weekend. Changeable conditions are likely in [redacted] Italy, the [redacted] and Greece will have heavy outbreaks of rain or frequent showers [redacted] and Monday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		[redacted]	[redacted]	7	[redacted]	[redacted]	8	Frankfurt	cloudy	4	Malta	fair	17	[redacted]	[redacted]	29
	[redacted]		Belgrade	fair	[redacted]	Chicago	fair	[redacted]	Geneva	rain	5	[redacted]	cloudy	[redacted]	Riyadh	sun	26
[redacted] Dhabi	sun	[redacted]	Berlin	fair	2	Cologne	cloudy	6	Gibraltar	[redacted]	15	Manila	fair	31	Rome	[redacted]	[redacted]
Accra	fair	31	Bermuda	[redacted]	[redacted]	[redacted]	[redacted]	30	Glasgow	shower	7	Melbourne	sun	29	S.[redacted]	[redacted]	12
Algiers	rain	10	Bogota	[redacted]	[redacted]	[redacted]	sun	25	Hamburg	[redacted]	0	Mexico City	sun	22	Seoul	cloudy	4
[redacted]	[redacted]	[redacted]	Bombay	[redacted]	32	[redacted]	[redacted]	16	Helsinki	fair	-12	Miami	fair	26	Singapore	fair	30
Athens	fair	[redacted]	[redacted]	cloudy	[redacted]	Delhi	hazy	[redacted]	Hong Kong	cloudy	23	Milan	rain	5	Stockholm	fair	-7
B. Aires	fair	22	Budapest	cloudy	11	Dubai	sun	25	Honolulu	fair	27	[redacted]	snow	-8	Strasbourg	cloudy	6
B.ham	cloudy	8	C.hagen	cloudy	0	Dublin	cloudy	8	Istanbul	[redacted]	12	[redacted]	cloudy	-12	[redacted]	fair	30
Bangkok	fair	[redacted]	Cairo	sun	19	Dubrovnik	fair	15	Jersey	[redacted]	9	[redacted]	[redacted]	8	Tangier	[redacted]	[redacted]
Barcelona	cloudy	9	Cape Town	fair	25	Edinburgh	shower	[redacted]	Karachi	hazy	27	Nairobi	fair	28	Tel Aviv	sun	18
Beijing	sun	6	Caracas	fair	27	Faro	rain	[redacted]	Kuwait	sun	19	Naples	shower	15	Tokyo	fair	10
									L. Angeles	fair	18	Nassau	fair	29	[redacted]	[redacted]	-6
									Las Palmas	[redacted]	20	New York	[redacted]	6	Tunis	shower	14
									Lima	fair	26	Nice	[redacted]	11	Vancouver	cloudy	7
									Lisbon	cloudy	10	Nicosia	fair	16	Venice	rain	8
									London	[redacted]	8	Oslo	cloudy	-7	Vienna	cloudy	9
									Lux.bourg	cloudy	4	Paris	cloudy	[redacted]	Warsaw	cloudy	[redacted]
									Lyon	[redacted]	4	Perth	fair	[redacted]	Washington	rain	[redacted]
									Madeira	[redacted]	18	Prague	cloudy	4	Wellington	sun	[redacted]
									Madrid	cloudy	6	Rangoon	hazy	33	Winnipeg	fair	-23
									Majorca	cloudy	10	Reykjavik	sleet	3	Zurich	[redacted]	5

Registered at the post office. Printed by St. Clements Press for and published by The Financial Times Ltd., Number One Southwark Bridge, [redacted] SE1 9HL.

Weekend FT

SECTION II

Weekend February 5/February 6 1994

State Museum Auschwitz-Birkenau, photo Adam [redacted]

The future of Auschwitz

***Christian Tyler** visits the extermination camp where Nazis killed a million people and asks how it can fulfil conflicting functions as memorial, museum and, increasingly, tourist attraction*

Fifty [redacted] called Primo Levi [redacted] marched through the gate inscribed *Arbeit [redacted] Frei*, stripped, shaved, tattooed, [redacted] in stripes and clogs, and [redacted] reduced [redacted] an [redacted]*mensch*, [redacted] starving [redacted] worker [redacted] the Thousand-Year [redacted].

Hitler's war [redacted] already as good as [redacted] when Levi and 650 other Italian Jews were [redacted] in [redacted] Auschwitz in Poland. On arrival, 29 of the women [redacted] Birkenau [redacted] 96 were sent [redacted] at Monowitz sub-camp [redacted] IG [redacted] German industrial conglomer[redacted] trying to produce synthetic rubber [redacted] factory. [redacted] night's [redacted] – men, women and children – were [redacted] directly to the [redacted] gas chambers.

[redacted] his chemistry degree and his [redacted] scar[redacted] fever Primo Levi [redacted] until liberation in January, 1945. [redacted] a devastatingly eloquent witness [redacted] crime which still defies human comprehension. Levi's testimony [redacted] not only eloquent but [redacted] proved [redacted] in all but a few details, according [redacted] Piotr Setkiewicz, [redacted] young Polish [redacted] Auschwitz museum.

[redacted] testimony of Levi, who committed suicide [redacted] years ago, remains [redacted] kind [redacted] memorial to the 1.1m to 1.5m people, [redacted] per cent of them Jews, now estimated [redacted] have been [redacted] shot, hanged, starved [redacted] worked [redacted] at [redacted].

Another kind of [redacted] is [redacted] film *Schindler's [redacted]* the story of [redacted] Schindler, the Sude[redacted] who [redacted] 1,100 [redacted] in a small camp in nearby [redacted]. The film, [redacted] crosses the Atlantic [redacted] this month, will [redacted] even than the recently-opened [redacted]caust museum in Washington, [redacted]. It will probably be seen by more westerners than [redacted] ever read [redacted], let [redacted] visited, Auschwitz or the [redacted] Nazi extermination [redacted] in [redacted].

[redacted] is [redacted] be [redacted] with [redacted] As [redacted] camp's [redacted] survivors die out, one kind of memory dies with them. [redacted] recollections alter, meanings conflict and [redacted] symbolises quite different things to Jews and Poles, to Russians, Gipsies – not [redacted] Germans [redacted]. [redacted] problem of reconciling historical [redacted] present [redacted] and future instruction creates for the caretakers [redacted] Auschwitz what has been [redacted] the [redacted] conservation [redacted] in Europe.

Should [redacted] be [redacted] to what it was or preserved as it is (including [redacted] post-war reconstructions as the small [redacted] in the base camp)? [redacted] it be developed [redacted] some [redacted], or left [redacted] to decay? These questions [redacted] importance [redacted] because the [redacted] of history, the Holocaust-denial specialists, are riding the crest [redacted] a new [redacted] racism in Europe. They are likely to seize [redacted] "distortion" [redacted].

Levi's [redacted] has virtually disappeared, although [redacted] factory [redacted] is working to [redacted] day [redacted] produces synthetic [redacted] for [redacted] state). The solid, pre[redacted] of the main *lager*, [redacted] I, with [redacted] execution yard, medieval [redacted] cells and gibbets, [redacted] intact. But [redacted] Poles, especially under [redacted] rule, [redacted] I [redacted] primarily [redacted] place [redacted] compatriots died, [redacted] memorial to Resistance heroism or [redacted] martyrdom because it [redacted] first as a concentration camp [redacted] political prisoners, some of [redacted], only incidentally, were [redacted]. Until five years ago [redacted] line [redacted] the current ideology) the museum [redacted] only to the [redacted] "people", not [redacted].

Birkenau, 3km away [redacted] built in 1941-2, presents the [redacted] of [redacted]. Seen from [redacted] guard [redacted] on a misty [redacted] evening, [redacted] camp seems to [redacted] ever: more [redacted] the [redacted] preserved [redacted] huts in the foreground [redacted] rows [redacted] skeletal chimneys [redacted] hundreds more huts [redacted] have long since rotted away.

A railway spur, [redacted] in [redacted] to expedite [redacted] frenzy [redacted] genocide, runs innocently up and through the central archway [redacted] the long, redbrick [redacted] proceeds down [redacted] the [redacted] field to termi[redacted] an earth platform. A [redacted] yards further on, behind [redacted] screen [redacted] poplars, [redacted] four [redacted] chamber/crematoria, whose exploded remains were left by the SS [redacted] they [redacted] the advanc[redacted] the [redacted] ria [redacted] are [redacted] human ashes were dumped and pits [redacted] when [redacted] ovens became [redacted].

Here, the Jews [redacted] to their deaths had no chance [redacted] tyrs" nor [redacted] fighters, only victims. While [redacted] I illustrates SS brutality [redacted] perversion, at Birkenau it is the scale of the Nazi [redacted] the euphemistic, bureaucratic, systematic and [redacted] slaughter known [redacted] Final Solution.

[redacted] has [redacted] fulfil [redacted] functions, according [redacted] Oxford [redacted]rian Jonathan Webber, who [redacted] member [redacted] International Auschwitz Council [redacted] up in 1990 [redacted] the Polish authori[redacted]. It [redacted] a place [redacted] mourning, being the largest cemetery in [redacted] world; it is a museum of record; it is also – inevitably [redacted] increasingly – a tourist attraction.

[redacted] resulting conflict [redacted] have been [redacted] examples, large and small. The arrival of a group of well-meaning Catholic nuns [redacted] pray for the souls of the dead in a building [redacted] first camp [redacted] the original wire, but within the wider complex) led to an [redacted] incident. After five years of dispute, the nuns were rehoused a few hundred yards away in 1992. Some Jews were [redacted] by the Pope's [redacted]tion of Edith Stein, [redacted] Jewish woman who [redacted] Catholicism and became a nun: she was gassed in 1942 not because she was a nun but because she was Jewish, they say. Others find offensive the museum display of seven tonnes [redacted] hair and the cloth into which it was woven by German [redacted]. They [redacted] it should [redacted] decently buried. For [redacted] reasons survivors blocked a proposal to dig a section across [redacted] and line [redacted] the awful depth of [redacted] human [redacted].

It [redacted] council [redacted] to recommend new wording for plaques on the modern monument erected [redacted] the end of the Birkenau railway line. These were [redacted] they quoted a false [redacted] Auschwitz [redacted] and [redacted] no specific [redacted]tion [redacted] the [redacted] the [redacted] now to [redacted] recorded, in which order, and in what languages?

Today's visitors bring further problems. Dr David Cesarani, direc[redacted] the Wiener Library in London, [redacted] worried by the apparent incomprehension shown even by Israeli and [redacted] chil[redacted] when [redacted] tour [redacted] camps. "They've not [redacted] – [redacted] I say – [redacted] the hang of it," [redacted] Jewish [redacted] were teaching [redacted] the [redacted] Piotr [redacted] in an [redacted] way that did little to explain the ideology behind it nor the war that [redacted] it. [redacted] museum [redacted] the Polish [redacted] culture to set [redacted] minimum visiting age of 14.

[redacted] seem confused, according [redacted] Wanda Hutny, head of the [redacted] department. She [redacted] how [redacted] in coach parties, dressed in shorts and T-shirts, take a few snaps [redacted] in front [redacted] the crematorium chimney and jump [redacted] bus. Japanese visitors, when [redacted] with the "wall [redacted] death", are seen to smile – the Oriental way [redacted] showing discomfort but shocking to [redacted] may be with them. One day, a nose[redacted] found under [redacted] gallows [redacted] commandant [redacted] hanged

Turn to Page XI

CONTENTS

John Tavener on music and the divine. Page XXII

The Long View/**Barry Riley**

Weight of money

Money on [redacted] can [redacted] an [redacted] sight. [redacted] has again been pushing stock [redacted] rapidly higher, with the FT-SE 100 [redacted] topping [redacted] level [redacted] one stage. It seems that equities can only go up and up and up; [redacted] the Federal Reserve, [redacted] Greenspan, yesterday threatened [redacted] spoil [redacted] party by announcing his long-awaited [redacted] push up dollar short-term [redacted].

[redacted] move [redacted] amid clear signs [redacted] demand for financial [redacted] around the globe. Look, for example, at [redacted] way money [redacted] cascading into [redacted]ment trusts [redacted] UK. The Tweedledum [redacted] European privatisation [redacted] being launched by Kleinwort [redacted] and Mercury [redacted] Management are each on course [redacted] raise around £500m. Elsewhere, the existing Fleming [redacted] trust [redacted] almost [redacted] double [redacted] to over [redacted] by exploiting [redacted] fact that its share price [redacted] moved [redacted] premium [redacted] underlying [redacted].

[redacted] of [redacted] in [redacted] closed-end funds are [redacted] at [redacted] discount [redacted] of [redacted] oversupply. [redacted] periods like the present people are so desperate to get out of cash that they cannot [redacted] the delay and inconvenience [redacted] buying particular investments – whether individual [redacted] assets like property or gold. [redacted] they pay a premium [redacted] quick entry [redacted] indirect investment [redacted].

Demand, however, creates supply. Not only are the investment fund promoters working overtime but the company [redacted] pipeline is full. In [redacted] queue [redacted] a London listing are Alpha Airports, Ashanti Goldfields, [redacted] Fraser, Beazer and [redacted] whole lot more.

I [redacted] fail to be astonished [redacted] the shifts in the balance of financial power between the end of one economic boom and the beginning of the next recovery – even though the changes are predictable. In [redacted] the [redacted] were financing a *string of immense corporate* [redacted] whereby companies [redacted] changing hands at twice the stock mar[redacted] price. Today [redacted] banks are cowed, [redacted] carrying all [redacted] it. Normally I would [redacted] the stock market on price, but today we are moving into dangerous territory.

[redacted] figures [redacted] in 1989, the most extreme year, British industrial and commercial companies spent £26bn on the securities of other companies [redacted] home and overseas in a massive [redacted] spree. In all they [redacted] £34bn from banks that [redacted]. For last year we only have nine months' figures, but on an annualised basis the pur[redacted] of securities [redacted] to [redacted] and over £11bn was *repaid* to the banks.

There are few [redacted] going on [redacted] present other than for special reasons, as amongst the ITV contractors. Instead companies are spinning off subsidiaries for [redacted] they [redacted] temptingly high prices: Alpha is the airport catering side of Forte, while Hanson is proposing to float Beazer into a buoyant UK housebuilding sector.

Formerly empire-building [redacted] are at last forced to recognise that investors actually want clearly focused companies [redacted] in rather than rambling conglomerates. British Aerospace has this week trumpeted the merits of concentrating on its [redacted] rather than arguing, as it did five years ago when it bought Rover, that making cars was much like making planes. But the acquisitive tycoon's minis-to-jum[redacted] philosophy [redacted] right [redacted] fashion. The FT-SE Mid 250 index of medium-sized companies outperformed the Footsie index of the 100 biggest blue chips by some 12 percentage points in 1993 and it has already shown [redacted] relative gain of 7 points in 1994 so far.

But if takeovers are *out*, expansion by direct investment in new productive assets surely ought to be *in*. The cost of capital to listed companies has tumbled: the average dividend yield is little more than [redacted] per cent, the [redacted] earnings yield is just 5.6 per cent on the basis of expected [redacted] profits. Although more complex formulae are used by corporate planners, equity capital has certainly become cheaper. [redacted] capital [redacted] fall [redacted] year in the UK, for the third year in a row. The January CBI opinion survey [redacted] showed that [redacted] companies [redacted] now expecting [redacted] their capital spending over the next year but the positive tilt [redacted] still only [redacted].

The puzzle here is whether there is [redacted] capacity in the [redacted]omy or not. Economists are all over the place on this point, [redacted] nobody [redacted] how much [redacted] capacity [redacted] closed or is unusable. At any rate there [redacted] a [redacted] sudden [redacted] investors, [redacted] pouring [redacted] markets, [redacted] the [redacted] of [redacted] still influenced by the recession. It takes time to shift your priorities from survival to growth. According to [redacted] CBI survey British companies are keener to [redacted] prices [redacted] capacity: old habits die hard. Capacity [redacted] in manufacturing, meanwhile, though not exactly high, [redacted] level, [redacted] suggested.

If [redacted] money pouring into equities is not in due course matched by an expan[redacted] the productive and profit-generating [redacted] by companies then it [redacted] inevitable that shareholders will end up losing heavily. In economic [redacted] the bursting [redacted] a [redacted] bubble is a mechanism for wiping out wealth. There [redacted] a clear warning [redacted] from the [redacted] experiences of the late [redacted] when they too poured billions into financing overpriced [redacted] involving corporate [redacted] or real [redacted] often wound up with huge bad debts.

The extraordinary popularity [redacted] privatisation trusts [redacted] the perception [redacted] investors [redacted] the [redacted] havens of fair value is found in corpo[redacted] newly available through privatisation. It [redacted] better [redacted] than chasing existing [redacted] still higher. But [redacted] at a big premium – certainly not when the Fed has signalled a possible new phase for [redacted] global market.

London

The global interest rate winds blow

Roderick Oram

K[illegible] Clarke, exhibit[illegible] mand and control John Major can only dream of, pushed [illegible] button in London on Tuesday. [illegible]onds later, on [illegible] oil platform 211 miles [illegible] of Aberdeen, curtains rolled [illegible] on [illegible] plaque inaugurating BP's [illegible] Field.

If only [illegible] chancellor could so deftly deal with [illegible] offshore pressures afflicting London markets. In [illegible] US, Alan Greenspan, chairman of the Federal Reserve, told congress that [illegible] interest [illegible] have [illegible] Germany, [illegible] Bundesbank, disturbed by [illegible] surge in money supply, postponed hopes of a German interest rate cut.

Throughout the week, London equity and gilts markets swung in these global interest rate winds. Monday and Wednesday UK rate cuts were on the agenda and stocks rose sharply. Tuesday, Thursday [illegible] yesterday [illegible] and stocks dropped. Few other, if any, factors seemed to animate [illegible] and [illegible].

The FT-SE 100 [illegible] a net [illegible] points [illegible] on the [illegible] 3475.4, reaching [illegible] along the [illegible]. Monday's [illegible] was the [illegible] time [illegible] on [illegible] inflation- adjusted basis, [illegible] its [illegible] on [illegible] eve of the 1987 market crash. [illegible] chart shows, equities [illegible] handsomely outperformed gilts, inflation-adjusted, [illegible] period.

Inflation [illegible] dormant [illegible] least, if not actually [illegible] as politi[illegible] and [illegible] economists would have [illegible]. Yet, [illegible] small cloud [illegible] inflationary chaff [illegible] through [illegible] mar[illegible] late in the week. Deploying [illegible] "pushing-on-a-wet-noodle" style [illegible] control, the [illegible] waved through [illegible] 1.5m public [illegible] employees. The increase, [illegible] per cent higher than the [illegible] of inflation, will [illegible]ment £1bn.

[illegible] smack of firmer [illegible] came, however, from Eddie George, governor of the Bank of England. Prospects for sustained growth and gradual reduction in unemployment were "better than at any time" in his career, he told banqueting bankers. Do not expect a rate cut, was the subtext his audience, [illegible] mention [illegible] market public, inferred.

But with due respect to UK authorities, it is the thoughts and imminent actions of the Fed which are preying on the markets. Normally the Fed does not tip its hand to the market for some time after its once-every-six-weeks policy setting meetings. Yesterday, 24 hours after its latest meeting, it did break the pattern with a highly unusual statement. It said it had decided to tighten monetary policy via a "small increase in short-term money market interest rates."

London and Wall Street stocks retreated instantly but moderately on the news. What, though, will be the considered response? The overwhelming fear [illegible] been that US investors, particularly retail rather than institutional, would rapidly shift their perceptions and portfolios when the upturn in interest rates came. The torrent of money flowing out of cash into equities, particularly foreign [illegible], would be [illegible].

"It is commonly argued that the current global bull market will be brought to an end when US interest rates begin to rise [illegible] retail [illegible] will start to [illegible] equities. [illegible] regard this scenario as relatively unlikely," argue Sushil Wadhwani and Mushtaq Shah, two London-based strategists of Goldman, Sachs.

Looking [illegible] the previous three troughs in [illegible] rates, they found that individual [illegible] continued [illegible] increase their ownership [illegible] equities [illegible] some [illegible] after interest [illegible] began [illegible]. Typically, six months after [illegible] turn, investors [illegible] still only [illegible] some 10 per [illegible] portfolio shift they eventually [illegible]. In other words, [illegible] a while [illegible] their investment [illegible] from "cash is trash" [illegible] king".

In such an upturn, equities will continue to outperform bonds thanks, in part, to strong growth in corporate earnings which is kicking in at this [illegible] in the [illegible] cycle. Moreover, European equity markets would gain pro[illegible] from their [illegible] flow of funds and from the more cautious reactions [illegible] European [illegible].

The desire to pile into equities appeared to be borne out by the remarkable UK investor response this week to [illegible] European privatisation investment trusts launched by Mer[illegible] Management and Kleinwort Benson. Together, the funds are seeking [illegible] £1.075bn. So [illegible] they [illegible] from institutions plus [illegible] and rising from individuals.

Cautious, slow [illegible] were hardly the hallmarks of the main corporate story of the week: BAe's decision to sell its [illegible] per cent holding in [illegible] Rover car group to BMW for [illegible] and [illegible] debt relief.

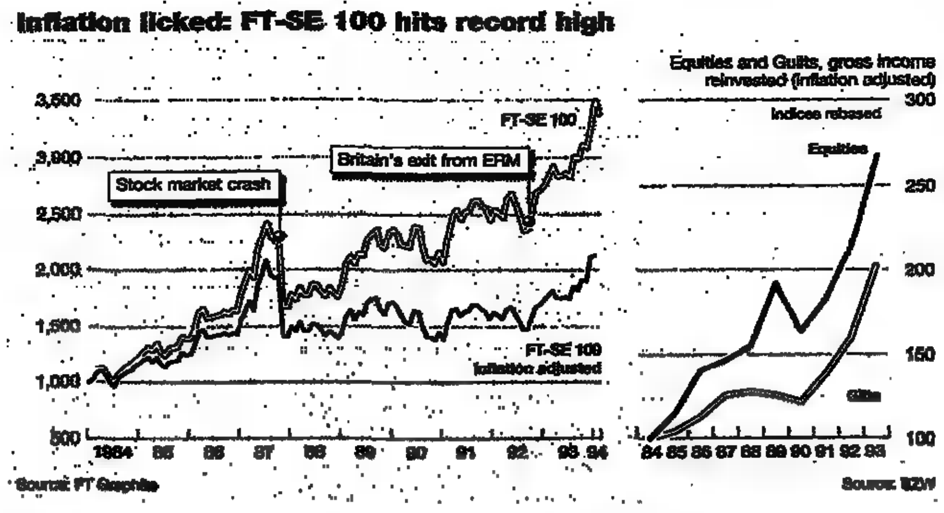
With speed and agility worthy of [illegible] cars they build, BMW [illegible] slapped [illegible] table. [illegible] with equally impressive speed, headed for the motor industry exit ramp. Honda, Rover's partner, saviour and 20 per cent shareholder, was left gasping in BAe's dusty slipstream.

The story appears to be far from over yet. Honda, with an impressively stout [illegible] on Rover through product [illegible] technology licensing agreements, could [illegible] high price from BMW [illegible] *tinuing co-operaton*. BAe, liberated from mundane [illegible] transport, [illegible] great new [illegible]dom to develop [illegible] and defence interests.

The City, thrilled by BAe's prospects, sharply re-rated its stock. The shares closed up 131p on the week at 575p. Others were sucked along in its slipstream. Car part makers such as GKN, BAA and T&N, for example, could gain new business from BMW's new British connection.

But the emotional fallout was heavy. With one push of the deal button, the last British volume car maker slipped offshore.

Inflation licked: FT-SE 100 hits record high



HIGHLIGHTS OF THE WEEK

	Price y'[illegible]	[illegible]	[illegible]	[illegible] Low	
FT-SE 100 [illegible]	3475.4	+28.0	3484.2	[illegible]	Earnings/dividend optimism
FT-SE Mid 250 Index	4146.4	+80.6	4148.8	[illegible]	Shift to second-line stocks
BAT Industries	[illegible]	-15½	570	[illegible]	UBS "sell" [illegible]
Bridon	162	+20	163	[illegible]	Results
British Aerospace	575	+131	584	165	Rover deal
British [illegible]	487	+17½	496½	[illegible]	Improved traffic [illegible]
Cadbury Schweppes	514	-13	545	407	Rights [illegible] fears
Eastern Electricity	715	+15	725½	[illegible]	Share [illegible] utilities
Euro Disney	381¼	-26	1180	268	Growing [illegible]
GUS	614	+28	659	334	Property flotation [illegible]
HSBC (75p [illegible]	1099	+139	1113	490	Hong [illegible] fundamentals
Pearson	712	+36	735	342	Strong results from [illegible]
Sainsbury [illegible]	361	-32	584	357	[illegible] trading statement
Thorn EMI	1138	+47	1163	[illegible]	Multi-media [illegible] favour
Vodafone	613	+31	624½	367	Good [illegible]

Serious Money

Questions for the multiple-choice Pep

By Scheherazade Daneshkhu

R[illegible] will hear a lot about personal equity plans as the tax year draws to a close on April 5. Many people leave their tax-planning measures to the last minute so fund management groups wait until the last quarter to bombard potential investors with new launches and discounts.

The annual maximum investment in a general plan is £6,000 in a tax year and income and capital gains are tax-free. However, investors must have a plan manager who will charge an annual fee.

The issue of charges has [illegible] in the case of unit trusts. This might seem a little strange at first, since charges on a unit trust Pep may frequently be no higher than investing in the same trust direct. By contrast, charges on an investment trust Pep tend to be higher than a direct holding because the trust has to charge for the extra administration involved.

However, unit trusts tend to be a more expensive way into the market than investment trusts because investors typically face an initial charge of 5-6 per cent and an annual management fee of 1.5 per cent. The initial charge is part of what is known in the jargon as the bid/offer spread – the difference between buying *units and selling them. A typ*ical bid/offer spread is about 6 per cent, but it can be wider.

Some unit trust companies have been reducing the initial charge on their Peps but have introduced withdrawal charges on a sliding scale. A number of stockbrokers will offer discounts on the initial charge for self-select Peps or for execution only-unit trust deals.

This week, Skandia Life, has come up with a new twist for the launch of its first non-insurance product. Its Multipep aims to allow the investor to switch between a number of unit trusts at low cost.

How does it work? Skandia has pre-selected 30 funds, in the main for good performance and for a spread between the UK and abroad, and capital or income. You pay an initial charge for the Pep of 4.75 to 5 per cent, which is lower than that on most unit trust Peps.

UK funds include: Fidelity Special Situations, Gartmore British and two James Capel index funds – the Footsie and the Trixie; those in the European sector include Baring European Growth, Henderson European Income, Morgan Grenfell European Growth and another James Capel tracker fund, its Eurotrack 100 Index.

There are three ethical funds – Abtrust Ethical, Credit [illegible] Fellowship [illegible] Merlin Ecology – and one emerging market fund: Framlington Emerging Markets. [illegible] from [illegible] number of US, [illegible] eastern, Global [illegible] funds. [illegible] the funds have good or excellent performance, apart from the ethical trusts and some of the index-linked trusts.

If, for example, you invest in Fidelity Special Situations through the Multipep but later decide you wanted income rather than capital growth, you could transfer to one of the income funds at a low initial charge of between 0.25 per cent *and 0.5 per cent, instead of* usual transfer charges of between 2 and 5 per cent. You can also switch temporarily to cash in the Pep.

There are disadvantages. Skandia imposes its own annual fee of 0.5 per cent on top of the fee charged by the manager. This means that the total annual fee will vary between 1.5 and 2 per cent. Over time, annual fees have much more of an effect on performance than initial fees.

There is also a dividend collection charge which varies depending on the number of dividends a year. The charges are for each dividend collection: £5 if only one dividend is paid out; £4 each for two; £3 for four; and £2 for 12. If your chosen trust were to pay dividends on a monthly basis and you took them all as income, you would pay £24 a year.

Anomalies can also arise. A Fidelity Pep bought direct has a low initial charge of 2 per cent and withdrawal fees. If you own Fidelity Special Situations but want to transfer into Multipep within three years of taking out the Fidelity fund, you could find yourself paying Fidelity's withdrawal charges and an initial charge of 5 per cent for the Multipep, instead of the 2 per cent on direct purchases into the same fund. You could use a discount broker to [illegible] the initial charge.

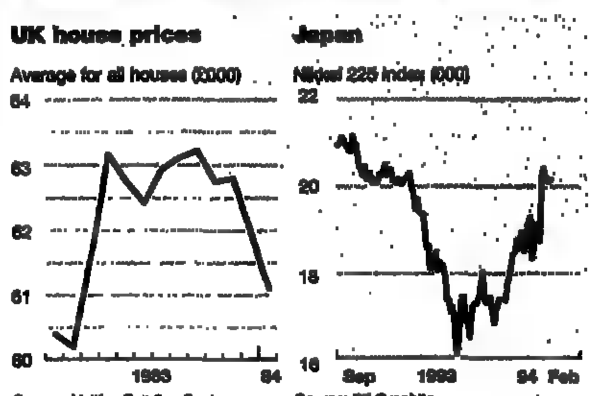
The strength of the Multipep is for those who envisage mov[illegible] between funds. How likely is this? [illegible] that many [illegible] feel locked into one fund manager once they invest in a Pep but that over the longer-term, they are likely to make [illegible] number of [illegible] investment [illegible] change [illegible] performance [illegible] funds drop.

Many people [illegible] say they are able to get good performance by choosing the right fund at the outset and can achieve diversification by investing their annual allowance in different funds. They *may also argue that the choice* of funds in Multipep is restrictive, although Skandia says it will be adding to them. Moreover, given the trend towards lower Pep prices, the annual charge appears too high.

Nevertheless, Skandia gets full marks for [illegible] good idea.

[illegible] I wrote that Noble [illegible] fine of £740,000 was for switching people out of occupational schemes and into private pensions. In fact, the fine was in no way related to this issue but was for [illegible]sary switching and unsuitable advice in connection with investments. My apologies for the error.

AT A GLANCE



Latest house prices figures highlight market fragility

The fragility of the housing market was emphasised this week by Halifax, the largest lender, which found that house prices fell [illegible] per cent last month compared with December, although they are up in the year [illegible] January. However, Nationwide, the second largest building society, produced figures showing that prices rose on average by 0.4 per cent in January. The standardised average house price has risen from £60,471 in January 1993 to £61,133 last month, according [illegible] Halifax. [illegible] better model, [illegible] V.

Tokyo market rebounds

The Tokyo stock market rebounded at the beginning of this week on news that the parliament had passed the coalition government's political reform package. This opens the way for further economic stimulus measures. However, the Nikkei index is still at about half its peak level.

Fidelity [illegible] launching its second UK investment trust, Fidelity Japanese Values, to specialise in Japanese smaller companies. Simon Fraser, manager of the trust, says smaller companies should benefit from the economic recovery, and deregulation and other structural changes in the Japanese economy could also *provide them with new opportunities. The public offer period runs* from February 22 to March 8. There will be one free warrant attached to every five shares.

Help for [illegible] C Coombs' clients

Private clients of the former stockbroking firm, T C Coombs & Co, which is now in liquidation, will be able to apply to the Investors Compensation Scheme if they incurred losses in their dealings with the firm. The ICS will be contacting clients who have already made inquiries; any other former private clients of the firm who believe that they may have losses, should get in touch with ICS directly on: 071-628-8820.

The Investors Compensation Scheme pays out compensation of up to £48,000 to customers of authorised investment firms [illegible] in default.

Portfolio Trust relaunch

Portfolio Trust [illegible] being relaunched as Portfolio Fund of Funds. The trust, launched in December 1989, includes unit trusts run by Schroders, Flemings, Fidelity, Gartmore, Foreign & Colonial, and qualifies for the full personal equity plan allowance.

The fund is top in its sector over three, two and one years to February [illegible] according to HSW (offer to bid, [illegible] reinvested), with growth of 100 per cent over three years. The minimum initial charge is being lowered to £1,000 from £25,000. The initial charge is on a sliding scale.

Smaller company shares climb

Smaller company shares put on a strong performance this week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 3 per cent to 1894.94 over the week to February 3.

Wall Street

Fed loosens its lips and tightens policy

S[illegible]o, [illegible] Federal [illegible] mon[illegible]etary policy [illegible] all.

[illegible] was not [illegible] particularly dramatic move, just [illegible] nudging in [illegible] funds [illegible] – the [illegible] which banks led money [illegible] each [illegible] – up [illegible] 3 per [illegible] cent.

The Fed, however, [illegible] determined to make sure [illegible] financial [illegible] got [illegible] message, so in an [illegible] step, [illegible] Fed chairman, [illegible] Greenspan, [illegible] public statement explaining that the central bank's policy-making Open Market [illegible] had [illegible] this week [illegible] slightly tighten monetary policy.

This [illegible] out [illegible] ordinary. Normally, if [illegible] to change its [illegible] policy (without resorting [illegible] the [illegible] of an [illegible] in [illegible] discount rate) it allows the Fed [illegible] move [illegible] or [illegible] percentage points. It then waits for the markets to work [illegible] the implications [illegible] this move for themselves.

By explaining directly what the central bank was doing, Greenspan was delivering on [illegible] promise he made [illegible] the week – [illegible] Fed would soon raise interest [illegible] to keep inflationary pressures in check.

The markets did not take the rate rise particularly well. The Dow tumbled 30 points after the Fed announced its decision late yesterday morning.

Although bond prices held up relatively well, this [illegible] the market [illegible] already experienced [illegible] earlier in the [illegible] government bond [illegible] the one-point [illegible] it had [illegible] following a weaker-than-expected January employment report.

Bonds [illegible] all their early [illegible] analysts and [illegible] decided, [illegible] some reflection, [illegible] the jobs figures [illegible] stronger than they originally judged. Thus the selling which [illegible] move would normally [illegible] triggered move had already occurred.

While the [illegible] by which [illegible] Fed communicated [illegible] was surprising, the timing was not. All this [illegible] the expectation was building that [illegible] strong January employment report on Friday would provide the Fed with the perfect reason to raise interest rates.

Anticipation of a Fed move heightened on Thursday because that morning the central bank had taken no action to prevent the Federal funds rate - the rate at which banks lend money to each other – from rising above its 3 per cent target to 3⅛ per cent. In the past, when Fed funds have traded above 3 per cent, the Fed has added reserves to the banking system to bring the rate back down to its target.

The Fed's inaction on Thursday was interpreted as a sign that the central bank wanted the Fed funds rate at 3⅛ per cent. Yields on short-term Treasury securities rose sharply on the belief that the Fed was setting the stage for a tightening of monetary policy.

The theory sounded so convincing because Alan Greenspan, the Fed chairman, had told the Joint Economic Committee of Congress at the *start of the week that the Fed* was ready to tighten monetary policy.

After the chairman's warning, both stock and bond markets were watchful, and as [illegible] on, the [illegible] figures on Friday morning [illegible] more [illegible] more like [illegible] event that would spur the Fed into action.

At *first glance, however, it* appeared that there was not enough ammunition in the January employment report to load the Fed's gun. While economists had been looking for a gain in monthly payrolls of 200,000, the actual increase in January was only 62,000. The reaction from bond traders was immediate: they pushed prices of government securities sharply higher thinking that the Fed could not raise rates following a weak employment report.

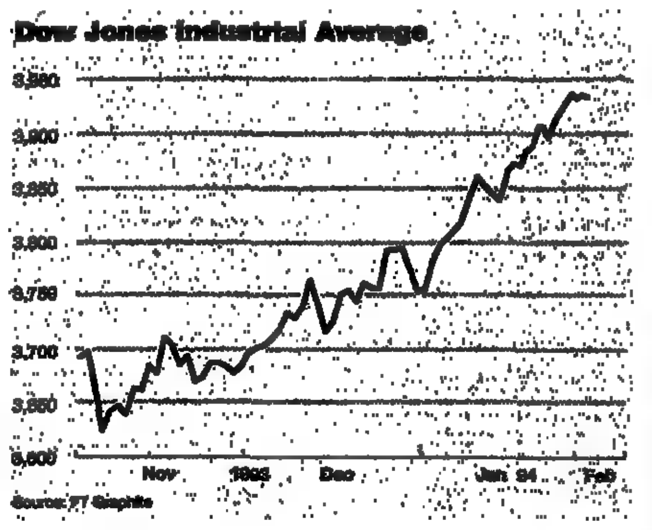
Nothing, however, is ever cut and dried when it comes to economic statistics, and the January jobs data came with the usual set of qualifications. Economists said the figures were skewed by two factors – the Los Angeles earthquake, and [illegible] very cold [illegible] *conditions* in the East – which they believed made it difficult for companies to accurately report payroll numbers [illegible] month.

It was also noted that while the headline figure was below expectations, other important [illegible] such [illegible] work [illegible] hourly earnings, [illegible] strong in January, suggesting that *underlying* [illegible] *in the* labour market [illegible] to improve.

It was these considerations, plus [illegible] desire to be seen as vigilant against the threat of inflation, that probably persuaded the Fed to make its move yesterday, and announce the first [illegible] in US monetary policy in almost five [illegible].

Patrick Harverson

Dow Jones Industrial Average



Monday	3978.36	+	32.93
Tuesday	3964.01	–	14.35
Wednesday	3975.54	+	11.53
Thursday	3967.66	–	7.88
Friday			

The Bottom Line

Oil for industry's lamps – but at what price?

O[illegible]il [illegible] argued [illegible] years that investors [illegible] take a long-term view [illegible] such [illegible] cyclical, commodity-based business. But they may [illegible] surprised that the message apparently [illegible] been embraced at [illegible] time when a chorus of caution about the uncertain short-term outlook for the industry is coming from oil company boardrooms.

Crude oil prices, as measured by the benchmark Brent Blend, regained some ground this week but, [illegible] $14-15 a barrel, are still about $4 down on last year, Yet, shares in the big, integrated companies such as British Petroleum, Shell and Exxon have proved remarkably resilient.

The UK integrated oil sector outperformed the FT-Actuaries All-Share [illegible] by 9.42 per cent last year. Analysts expect to hear [illegible] similar message from British Petroleum when it reports next Thursday, and from Shell Transport and Trading/Royal Dutch Shell later in the month.

The rehabilitation of BP shares in the eyes of UK investors is a theme which has carried over from last year. The company's troubled period following the sudden departure in 1992 of chairman Robert Horton left UK investors wary until well into 1993 when the twin themes of improved marketing margins and successful cost-cutting led to a reversal of sympathy. But [illegible] such [illegible] *durable and powerful* enough to underpin the performance of BP and the other oil majors if crude prices [illegible] not rise substantially?

BP officials told City analysts before Christmas [illegible] they were confident of meeting their financial goals – based on average oil prices of $18 – even if average prices slipped to $16. A report from Natwest Securities this week suggested that BP was likely to exceed its target of reducing costs by $1bn a year, with $700m accumulated in the first three quarters of 1993.

Fergus Macleod, Natwest's [illegible] analyst in Edinburgh, [illegible] BP has been particularly [illegible] in squeezing suppliers, [illegible] keeping capital costs lower. But Paul [illegible]ding, [illegible] Kleinwort Benson, [illegible] London broker, wonders [illegible] cost-cutting can be [illegible]. "[illegible] all, cost-cutting opportunities have not [illegible] any greater," he says.

Analysts believe BP's final results also will be clouded by a large exceptional item of up to £200m after tax for restructuring [illegible] troubled European chemical division, and the City will be looking additionally [illegible] any erosion of marketing margins.

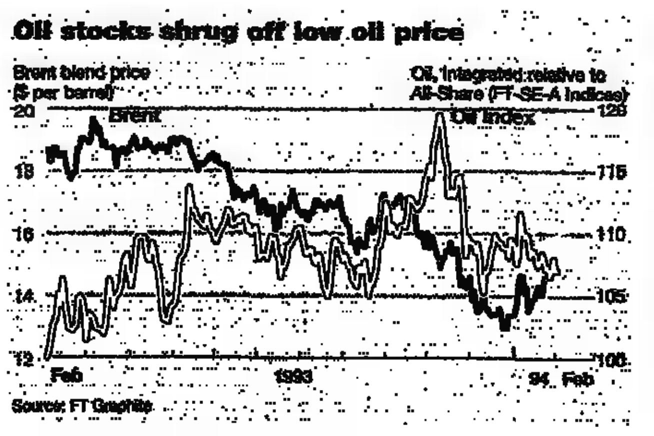
That would certainly [illegible] warning signal to investors but Jeremy Hudson, energy analyst at the London [illegible] Brothers, the [illegible] investment bank, believes longer-term [illegible] may [illegible] shaping investor perceptions of the [illegible]. "The present [illegible] upstream results are not completely offset by the improved refining and marketing margins," he says. "Yet, the shares [illegible] outperformed their markets. That must [illegible] change in the [illegible] horizon [illegible] investors. We believe investors are sniffing a long-term recovery." This is [illegible] on the likelihood that the petrochemicals and [illegible] divisions [illegible] the integrated companies will move towards [illegible] new cyclical peak in 1998.

[illegible] Antill, [illegible] broker Hoare Govett, says an optimistic case for the industry [illegible] even [illegible] made on the [illegible] oil prices as long as [illegible] took a "very long-term view." [illegible] that crude prices have declined [illegible] 12 years and that a long-term investor could probably expect more "upside than downside."

Antill feels the general state of the world economy will be critical to the sector's performance in coming months. But he is wary of dismissing the possibility of even lower prices – and the shockwaves that could produce.

Robert Corzine

Oil stocks shrug off low oil price



Credit card companies are battling for your business as never before. ***Scheherazade Daneshkhu*** *and* ***Bethan Hutton*** *explain the ins and outs*

Plastic is elastic but the drawbacks can be drastic

C[illegible] card [illegible] nies [illegible] in [illegible] price war, giving consumers more choice than ever before. [illegible] of simply looking to their own bank for a card, they are almost [illegible] likely [illegible] apply to another lender.

Competition has [illegible] spurred [illegible] arrival of [illegible] players – mainly from the [illegible] – who are anxious to expand into Europe. In addition, issuers, hoping people will start to borrow more as [illegible] comes [illegible] recession, are working ever harder to attract customers.

■ The main [illegible]

Annual fees: These were unknown until 1990 when Lloyds imposed [illegible] Now, most [illegible] charge £10-12 [illegible] [illegible] example, Visa/Access and Mastercard) [illegible] charge only [illegible] annual [illegible]. These [illegible] Bank [illegible] Scotland, Barclays, Midland, Robert Fleming/S&P [illegible] minster.

Interest [illegible] This usually [illegible] in terms [illegible] annualised percentage rate (APR), making [illegible] charges.

Most [illegible] higher rate than [illegible] purchases. [illegible] is charged either from the day the [illegible] withdrawal [illegible] (even if you [illegible] your [illegible] in full every month) or [illegible] fixed fee, usually [illegible] cent [illegible] amount withdrawn.

[illegible] will try [illegible] borrowers [illegible] incentives. [illegible] Co-operative [illegible] are among those which charge new cardholders [illegible] rate [illegible] interest on debt transferred [illegible] old [illegible]. Others, including Barclaycard and Bank of Scotland, rebate a percentage of the transferred debt as an incen[illegible]

Interest-free period: It [illegible] to [illegible] practice to charge interest from the [illegible] ment date [illegible] did not settle their bill [illegible] full. But most issuers now charge from the [illegible] the [illegible] reaches the [illegible]

[illegible] those who [illegible] off their balance in full [illegible] month, the maximum [illegible] period is [illegible] days. Some [illegible] reduced this, however.

The Better Buys: Credit cards with low interest rates or no fees

Company/(card name)	TYPE	[illegible] (pa)	APR % (purchs)	APR % (cash)	Cash w'dwl fee (%)	Int free period (days)
Bank of Cyprus (Ldn)	Visa	Nil	[illegible]	20.3	1.5	56
Bnk of Ireland (NI)	[illegible]	Nil	[illegible]	[illegible]	[illegible]	56
Barclays (Ford B'card)	[illegible]	[illegible]	[illegible]	[illegible]	1.5	56
Beneficial (Classic)	Visa	Nil	[illegible]	[illegible]	1.5	[illegible]
Co-Op (Robert Owen)	Visa	[illegible]	22.42	24.92	2.0	46
CRS Ltd (Shareholder)	Visa	[illegible]	22.42	24.92	2.0	46
First Trust Bnk (NI)	Visa	Nil	[illegible]	[illegible]	*	[illegible]
HFC/Vauxhall (GM card)	[illegible]	Nil	[illegible]	19.9	*	[illegible]
Leeds	Visa	[illegible]	[illegible]	[illegible]	1.5	56
[illegible] International	Visa	†	[illegible]	[illegible]	[illegible]	[illegible]
National & Provincial	Visa	Nil	21.6	[illegible]	[illegible]	51
Northern (NI)	[illegible]	Nil	[illegible]	25.3	*	[illegible]
Robert Fleming/S&P	[illegible]	£12	14.6	[illegible]	[illegible]	[illegible]
[illegible] Bank Scotland	M'card	Nil	16.0	16.0	[illegible]	[illegible]
Standard Chartered	Visa	[illegible]	29.8	29.9	1.5	[illegible]
TSB (Trustcard)	[illegible]	Nil	[illegible]	[illegible]	1.5	[illegible]
Ulster Bank (NI)	[illegible]	Nil	[illegible]	[illegible]	[illegible]	56
[illegible]	Visa	Nil	23.1	[illegible]	1.5	[illegible]

*Source: Moneyfacts. [illegible] cash w'drawal [illegible] but interest charged daily from date of withdrawal even if account cleared in full. [illegible] Annual fee of [illegible] waived for first year. †† £12 fee if card not used min 10 times pa. *Cardholders who charged at least £1,500 to card last year will have annual fee refunded. †Fee £10 pa waived for first two years.*

■ Choosing the right card

Are you sure yours is the best for you, or should you switch to another issuer? The answer is determined mainly by whether you pay off your bill in full every month, or use the card to borrow.

Do you pay in full?

This is the best way to use a credit card since you are able to delay payment for purchases without incurring any interest. This type of user need not worry about the APR, and can concentrate on choosing a card with no annual fee.

The [illegible] includes [illegible] which do not have an annual fee; the large number in Northern Ireland [illegible] that, [illegible] the mainland, annual fees have yet to catch on.

Watch out for hidden drawbacks to no-fee cards. The Co-operative bank's Robert Owen card carries a free-for-life pledge, but a £12 fee is imposed if the card is used less than 10 times a year. The interest-free period is just 46 days and the fee for cash withdrawals is higher than most, at 2 per cent. Similar conditions are applied by Co-operative [illegible] Services.

[illegible] issuers, including [illegible], Bank of [illegible], Halifax and [illegible], [illegible] rebate the previous year's annual fee if you charge a minimum amount – upwards of £1,500 – to the card each year. In any case, MBNA, the international arm of a large US credit card-lender, is waiving its annual £10 fee for the first two years and Ford Barclaycard is doing the same for one year.

Do you use your card to borrow?

If you are go[illegible] to incur interest on your card, the priority is a card with a low APR (see table) and, ideally, one which charges interest from the statement, rather than the transaction, date. Royal Bank of Scotland's Mastercard has a 16 per cent APR (14.5 per cent on balances of £1,000 and over) and is aimed at those who borrow continually, since there is no interest-free period.

Robert Fleming/S&P was one of the first into the credit card battlefield, reducing its APR to 14.6 per cent. But, like other card issuers offering good deals, it is choosy about its customers. The few issuers to charge from the statement date include Bank of Cyprus, Coutts, First Trust Bank (NI) and Standard Chartered.

■ Using the card abroad

Convenience when travelling is an important selling point for many credit card-issuers. But [illegible] "flexible friends" really bend themselves to every situ[illegible] Travellers in [illegible] have had their plastic cards rejected or even swallowed by cash dispensers, automatic vending machines and stores displaying clearly the Visa/Carte Bleu sign. The problem has arisen [illegible] modern French credit cards incorporate a microchip to beat fraud while British ones have only a low-tech magnetic strip.

[illegible] has been educating [illegible] in France about how to deal with foreign [illegible] could still [illegible] problems. If your card is rejected, and your linguistic skills are up to it, you could explain that foreign cards need to be swiped through a different slot on the electronic terminal. Alternatively, the vendor can confirm your card's validity over the telephone with the central processing office.

If systems elsewhere reject your Visa or Access card, the fault could be with the mag[illegible] strip but, again, [illegible] transaction [illegible] confirmed by telephone.

■ Exchange [illegible]

Another problem with using credit [illegible] abroad [illegible] you have no [illegible] over [illegible] exchange rate is used for the [illegible]. Card processors use the rate applying when the [illegible] is [illegible] your account, which could be anything from a few days to weeks or months after you use it.

The two main card systems, Visa and Mastercard, set their own exchange rates, a fraction of a percentage point above the wholesale currency market exchange rate. But the card issuer is free to add its own mark-up to the basic exchange [illegible] This can be as much as [illegible] per cent. This [illegible] throw out your budget calculations; even so, it is usually better than you might [illegible] at [illegible] currency exchange counters.

■ Perks

The various [illegible] being used by card issuers to attract custom range from air miles (NatWest and Ulster Bank) [illegible] dis[illegible] on holidays [illegible] through a travel club (many issuers including Halifax, Bank of Scotland, Royal Bank of Scotland, AIB, Yorkshire Bank) to large rebates on new cars (Ford/Barclaycard and GM Card/Vauxhall).

Perks should not generally be a deciding factor in your choice of card, as only really big spenders tend to get the full benefit. Most systems award [illegible] points for [illegible] you spend.

To get the maximum £2,500 discount on a new Vauxhall by using the GM card, for example, you would have to spend £50,000 [illegible] Likewise, to qualify for the full £1,800 Ford discount with accumulated Barclaycard [illegible] points, [illegible] to spend £36,000 over three years.

Profiles points also can be used on items in [illegible] catalogue. To qualify for a set of five paintbrushes, you would need to spend £1,900. To take your partner for [illegible] two-night Scottish break, you would have to rack up [illegible] and pay an extra £40.

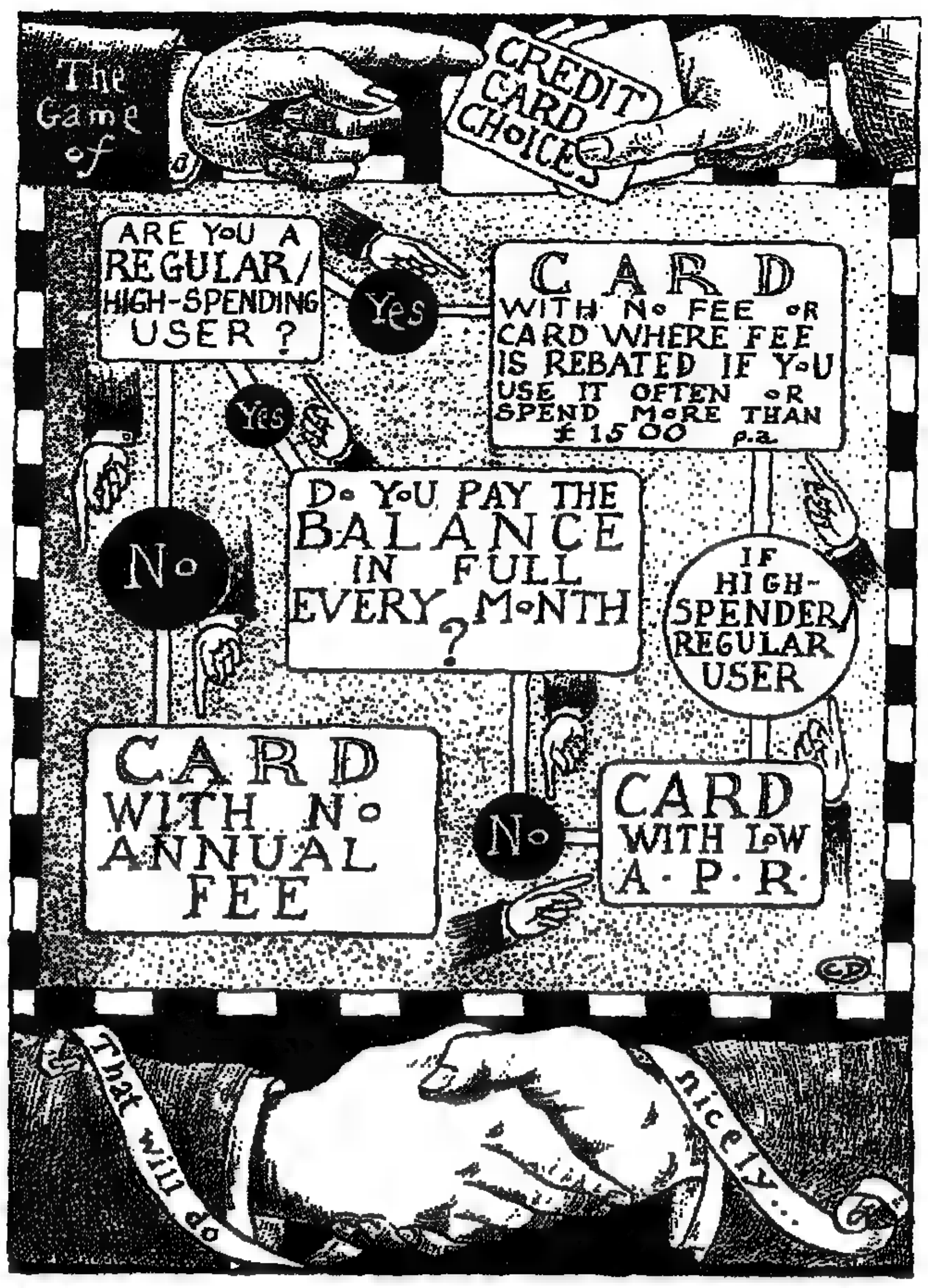
The main function of points-based systems is to encourage people to use one card rather than another if they have a choice, [illegible] use a [illegible] card rather than debit card, cheque or cash.

Travel [illegible] through [illegible] card holiday [illegible] do not rely on points but they do restrict your [illegible] operator – you might still get a better deal elsewhere.

■ Card protection plans

Losing [illegible] wallet full of plastic, through carelessness [illegible], can be a nightmare. Protection plans aim to simplify the process by registering all your cards centrally so you call one number to cancel them all. They also provide an insurance element, covering your liabilities if cards are used fraudulently, and providing an emergency cash loan if you are [illegible] away from home. [illegible] include [illegible] lost key return service and registration of documents.

Protection plans usually are bought through one of the many card issuers but the schemes themselves are run by two providers: CCP and Sentinel. The cost ranges from £7-8 for one year, to £32 for five [illegible]



FINANCE AND THE FAMILY

Small business boost

Debbie Harrison has good news [illegible] pensions for family concerns

P[illegible] schemes [illegible] small family businesses received good news this [illegible] the Inland [illegible] announced a measure [illegible] provide retired members with extra flexibility and control over pension funds.

From February 4, members [illegible] self-administered schemes (SSASs) will be able to [illegible] to control [illegible] investment of their fund [illegible] into retirement, up to a maximum age of 75. This flexibility is not available for individuals with personal pensions, executive pensions or those who are members of "money purchase" group pension schemes.

Small self-administered schemes became popular in the late 1970s and today more than 30,000 businesses use a SSAS as their main pension arrangement. Membership, normally restricted to a maximum of 12, can be [illegible] to any employee but generally is limited to a company's directors.

The schemes are unique to the UK and effectively allow small businesses to retain a large degree of investment control over their pension contri[illegible]. [illegible] Revenue guidelines are adhered to, it is possible [illegible] use the pension fund to purchase new premises for the business and to provide funding [illegible] loans or [illegible] investments in the company.

Although the pension under a SSAS is linked to the individual's final salary, the fund grows on a money purchase basis and at retirement is used to buy an annuity which provides regular income for life.

Annuity rates – that is the level of income the individual's pension fund will purchase – [illegible] by the [illegible] fund, the individual's life expectancy [illegible] rates, which currently are [illegible] low. [illegible] members [illegible] to [illegible] higher [illegible] to [illegible] people, will [illegible] delighted [illegible] five-year limit [illegible] has [illegible] to [illegible] 75.

During the [illegible] period, the [illegible]

FA[illegible] EARLY TO PROPAGATE HIS ROSES AND HIS SSAS.

will [illegible] a pension [illegible] from [illegible] fund roughly equal [illegible] have [illegible] by an annuity. [illegible] Hammond, managing director [illegible] Trustees, [illegible] individual [illegible] return, including [illegible] and capital growth, [illegible] virtually maintain [illegible] original full capi[illegible] value.

"When [illegible] buy [illegible] annuity [illegible] to [illegible] 75, even if [illegible] have [illegible] improved, the annuity rate will be that much better since it will reflect the individual's decreased [illegible] expectancy."

[illegible] are extremely [illegible]cient and offer considerable [illegible] including quoted [illegible] and shares, pooled [illegible] such [illegible] unit and [illegible] trusts, [illegible] funds, and commercial property. The company directors, [illegible] can [illegible] the [illegible]*ment portfolio* [illegible] or appoint a stockbroker to manage the fund.

Duncan Howarth, chief executive of GM Benefits Consulting Group, said: "As the trend towards fee-based advice accelerates, SSASs are proving increasingly popular for directors of small companies who are looking for a clear charging structure and the freedom to appoint an investment [illegible] choice [illegible] struct a [illegible] portfolio of [illegible] spread risk."

[illegible] it is an approved occupational scheme, employee [illegible] employer contributions [illegible] tax deductible, [illegible] fund grows [illegible] of [illegible] and can [illegible] death [illegible] up to four times annual salary and, on a member's retirement, a [illegible] cash sum. [illegible] and dependants' benefits [illegible] included, while the [illegible] provide [illegible] *lump* [illegible] on [illegible] during retirement. The pension, worth [illegible] two-thirds [illegible] final salary (restricted for some higher earners), [illegible] income.

Under [illegible] you can only run one SSAS [illegible] time, which [illegible] provider important. There [illegible] main options. Fully self-administered schemes generally are [illegible] on [illegible] are [illegible] from about 60 firms [illegible] solicitors, actuarial [illegible] and [illegible]. These organisations provide [illegible] administration [illegible] requirements, leaving [illegible] band [illegible] appoint [illegible] own [illegible] manager.

The second option [illegible] "hybrid" [illegible] offered by [illegible] 30 insurance companies. Under [illegible] arrangement, [illegible]nificant annual contribution – usually [illegible] £5,000 in [illegible] – [illegible] paid into an [illegible] fund, while contributions in excess [illegible] can be self-ad[illegible]. The insurance companies deduct a percentage of contributions paid into their own funds and may have other [illegible] charges for [illegible] management [illegible] administration.

Hybrid SSASs, for which charges are levied on a percentage basis, are generally thought [illegible] be more [illegible] for annual premiums of [illegible] £10,000-£15,000.

■ Personal pensions: pages VIII-IX Annuity rates, VI.

RESULTS DUE

Company	Sector	Announcement due	[illegible] (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Baldwin	L&H	Friday	-	3.0	[illegible]
Drayton Far Eastern	InTr	Thursday	0.125	0.5	0.125
EFM Java Trust	InTr	Monday	-	-	-
Fleming Claverhouse	InTr	Monday	2.5	3.2	1.25
French Property Trust	InTr	Monday	1.0	1.3	-
General Cons Investment Trust	InTr	Friday	-	-	-
Graham Rintoul Inv. Trust	InTr	Wednesday	-	-	-
Hambros Currency Fund	CuFd	Tuesday	-	-	-
Hambros Eurobond & Money	OfSh	Tuesday	-	-	-
Hotspur Investment	n/a	Monday	-	6.6	-
Lloyds Abbey Life	[illegible]	[illegible]	6.3	11.0	6.3
Lloyds Bank	Bnks	Friday	5.9	12.5	[illegible]
P & P	[illegible]	[illegible]	-	-	-
Ramsdens (Harry)	L&H	Thursday	1.0	3.5	[illegible]
Reuters	[illegible]	[illegible]	6.2	-	-
Scottish American Inv.	InTr	[illegible]	[illegible]	1.5	[illegible]
Stora	PP&P	Tuesday	-	-	-
Tullow Oil	OE&P	[illegible]	-	-	-
Warrant & Value Investment	InTr	[illegible]	-	-	-
Waste Management	OthSr	Monday	-	-	-
INTERIM DIVIDENDS					
Amstrad	Elec	Thursday	0.2	0.5	-
Armour Trust	Dvls	Friday	0.34	1.29	-
Betacom	E&EE	Tuesday	-	-	-
Black (Peter)	T&Ap	Monday	0.93	2.77	-
BOC	Chem	Thursday*	11.6	11.6	-
British Petroleum	Oil	Thursday*	2.1	2.1	-
British Telecom	Tele	Thursday‡‡	6.15	9.45	-
Bryant	B&C	Monday	1.4	3.4	-
Dalgety	FdMa	Monday	7.85	12.65	-
Elbief	Text	Wednesday	-	-	-
Fleming Enterprise Inv.Tst.	InTr	Tuesday	-	-	-
Fleming Overseas Investments	InTr	Tuesday	-	-	-
Grosvenor Inns	Brew	Wednesday	0.2	2.25	-
Helton Holdings	BM&M	Tuesday	-	-	-
Intereurope Technology	Med	Friday	2.0	5.8	-
Kleinwort High Income	InTr	Thursday	1.87	1.87	-
Lloyds Bank	Bank	Friday	8.6	-	-
Scottish Amer Inv	InTr	Wednesday	1.16	-	-
US Smaller Co's Inv Trust	InTr	Monday	-	0.3	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.‡‡ = 3rd Quarter figures. * 1st Quarter figures.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Prices in pence unless otherwise indicated					
Anglia Television	637§§	648	484	292.0	MAI
Bennett & Fount ‡	2*	4	4	2.10	Marlowe
Central Ind TV	2800	3070	2168	758.00	Carlton Comms.
LWT	698	698	585	721.98	Granada
Reject Shop	22.4	36	58	2.5	Upton & Southern

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 4/2/94. §§Shares and cash.

The week ahead

Reuters Holdings, [illegible] international financial [illegible]tion and news group, is expected [illegible] profits [illegible] *about £435m* [illegible] *to* December 31, compared with [illegible] last [illegible]. Most interest will [illegible] its [illegible] for [illegible]ron, the [illegible] business [illegible] bought [illegible] month from [illegible] US bank Citicorp, to expand into [illegible] North Ameri[illegible] equities [illegible]

[illegible] is reporting its fourth-quarter [illegible] on Thursday. [illegible] expect after-[illegible] profits of [illegible] £290m, although BP could [illegible] a large exceptional charge for the restructuring [illegible] its European [illegible] division. [illegible] could amount to [illegible] or [illegible]

Profits on Monday from Dalgety, the food and agribusiness group, for the six months to end-December, are likely to be little better than the £56.2m pre-tax [illegible]ed last year. Nevertheless a [illegible] increase in the interim dividend is expected.

[illegible]C shares missed out on the bull market of 1993 as sales of industrial gases to recession-bound foreign markets slowed. *First-quarter figures due out on* Thursday will also show the extent of damage done to the company's healthcare division by by competition from generic alternatives to its big selling anaesthetic gases. The City is expecting a pre-tax profit for the first quarter of £75m (£90.8m), *excluding a provision of £85m for* restructuring [illegible] month.

On Friday, **[illegible] Bank** [illegible] to have [illegible] operating profits marginally [illegible] *best because income from* [illegible]ties and foreign exchange were limited. Attention [illegible] be [illegible] on the dividend following [illegible] large increases from Royal Bank of Scotland and TSB [illegible]. [illegible]lysts predict dividend increases of at least 15 per cent from 18.4p in 1992, given Lloyds' strong cpaital. Pre-tax profits are expected to rise to about £1bn, against £801m in 1992, with the bad debt charge falling from £556m to about £350m.

British Telecom is expected to announce profits for its third quarter of between £670m and £685m, against £705m. The fall will be due to redundancy costs of about £150m (£17m) and an exceptional charge of £56m for the premium paid to repurchase government-held [illegible]

[illegible] together with an unchanged interim dividend [illegible] 0.2p, [illegible] expected when Amstrad reports interim results on Thursday.

PRELIMINARY RESULTS

Company	[illegible]	Year [illegible]	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Britannia BS	n/a	[illegible]	80,800	(56,700)	-	(-)	-	(-)
Brooke Tool Engineer.	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	-	(-)
Caldwell Investments	T&A	Oct	487	[illegible]	[illegible]	[illegible]	1.0	(-)
Fyffes	RetF	[illegible]	[illegible]	[illegible]	6.1	[illegible]	[illegible]	[illegible]
Gardiner Group	Dist	Oct	4,020	[illegible]	2.23	[illegible]	0.73	[illegible]
Green Property	Prop	[illegible]	2,140	(1,830)	[illegible]	(7.68)	4.0	(3.8)
ML Laboratories	[illegible]	[illegible]	[illegible]	(987 L)	-	(-)	-	(-)
Motor World Group	[illegible]	Oct	3,850	(2,290)	19.7	[illegible]	[illegible]	(-)
Yorkshire-Tyne Tees	Med	[illegible]	7,880 L	[illegible]	-	(-)	[illegible]	[illegible]

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Adscene	Med	[illegible]	1,420	(948)	2.5	[illegible]
BAA	Tran	Dec*	292,000	(259,000)	-	(-)
Bailey (C H)	OS&B	[illegible]	206 L	(773)	-	(-)
Bimec Industries	Eng	Sep	1,230 L	[illegible]	-	(-)
Birkdale	Med	Sep	1,470 L	(494 L)	-	[illegible]
Brandon Hire	B&C	Oct	99	(81)	-	[illegible]
Buckzall	[illegible]	[illegible]	[illegible]	(745 L)	-	(-)
Colefax [illegible] Fowler	HssG	[illegible]	50	(192 L)	0.5	[illegible]
Courtyard Leisure	L&H	Sep	[illegible] L	(195 L)	-	(-)
Dyson (J & [illegible])	BM&M	[illegible]	401	(340)	[illegible]	[illegible]
Firth (G M)	Eng	Sep	758 L	(1,500 L)	-	(-)
Flagstone Holdings	Prop	Jul	278 L	(161 L)	-	(-)
Goodhead	Med	[illegible]	308	(3,710 L)	-	[illegible]
Heritage	Dist	Oct	115	(53)	-	[illegible]
Haynes Publishing	Med	[illegible]	2,110	(1,510)	[illegible]	[illegible]
Hong Kong Inv.Tst.	InTr	Dec	222	(179)	0.75	[illegible]
Huntingdon Internat.	Pharm	Dec§	1,230	(3,730)	-	(-)
Lazard High Income Tst	InTr	Dec	923	(-)	[illegible]	-
Markheath	[illegible]	Sep	2,370 L	(4,710 L)	-	(-)
News International	Med	[illegible]	126,700	(98,900)	0.72	(0.70)
Reject Shop	RetG	Oct	2,390 L	(884 L)	-	(-)
Richmond Oil & Gas	[illegible]	[illegible]	983 L	(386 L)	-	(-)
SelecTV	[illegible]	[illegible]	614	(278)	-	[illegible]
TR City of London	InTr	Dec	6,300	(5,300)	2.46	[illegible]
TR Smaller Company Inv	*InTr*	Nov	5,460	(4,780)	1.5	(1.5)
Union Square	Prop	Sep	73	(9 L)	-	(-)
Wholesale Fittings	Dist	Oct	1,030	[illegible]	3.23	[illegible]
Wiggins	[illegible]	Sep	84 L	(359 L)	-	(-)
Wintrust	MeBn	[illegible]	[illegible]	(1,010)	3.3	(3.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. [illegible] Figures for 28 weeks. § Net asset value per capital share. ‡ At launch last June. [illegible] Figures for nine months. $ Figures for 3 months. §§ Figures for 27 weeks. ‡‡ Irish Punts & Pence.

RIGHTS ISSUES

Firth (G M) is to raise £3.6m via a 1-1 rights issue of 33m shares @ 12p.
Upton [illegible] Southern is to raise £4.5m via a 4-30 rights issue of 17.3m shares @ 30p.

OFFERS FOR SALE, PLACINGS [illegible] INTRODUCTIONS

Bowmore is to raise £3.21m via a placing of 1.29m shares [illegible] 250p.
Cedardata is coming to the market through a share placing valuation of [illegible]
Coda is coming to the market through a share placing valuation of £62m.
Ex-Lands is to raise £19.85m via a placing and open offer of 35.28m shares [illegible] 36p and £7.05m of 7.5% convertible stock.
MY Holdings is to raise £23m via a placing and open offer of 44.2m shares @ 52p
Premier Land is to raise £3m via a placing of 42.5m shares @ 7p.
RJB Mining is to raise £9.3m via a placing and offering of 4.1m shares @ 340p

FINANCE AND THE FAMILY

When 'arrogance' pays

***Joanna Slaughter** talks with fee-based adviser Murray Noble. Second in a series*

Fee-based independent financial advisers were [illegible] birds when [illegible] Noble-Warren founded Murray Noble in 1976. Indeed, he would argue that they had scarcely emerged from the egg.

He [illegible] "In [illegible] I had an [illegible] [illegible] [illegible] should be provided 10 years on, but there was no one to copy. We were [illegible] [illegible] the Financial Services Act; we [illegible] disclosing [illegible] [illegible] before [illegible] [illegible] talking [illegible] it; and we were [illegible] charging [illegible] [illegible] anyone was talking about it."

Keivan Borhani, Murray Noble's managing director, [illegible] "We are arrogant pioneers," [illegible] [illegible] Unlike many pioneers, however, Noble-Warren has not [illegible] a quiver full [illegible] [illegible] in his back. On the contrary. [illegible] [illegible] [illegible] clients, [illegible] [illegible] [illegible] [illegible] hard work [illegible] confirmed his [illegible] [illegible] the value [illegible] fee-paying financial advice, which [illegible] [illegible] [illegible] solutions rather than selling products.

He [illegible] "From [illegible] client's point [illegible] view, the [illegible] [illegible] [illegible] firm [illegible] [illegible] we [illegible] [illegible] free to explore solutions [illegible] don't involve [illegible] [illegible] products. And you then find that the solutions [illegible] much wider. Only [illegible] [illegible] [illegible] [illegible] of the work we [illegible] [illegible] involved [illegible] [illegible] product. If [illegible] [illegible] paid, we don't [illegible] it [illegible] our [illegible]. We [illegible] [illegible] what they [illegible] [illegible] [illegible] [illegible] it."

[illegible] [illegible] of [illegible] argument [illegible] people [illegible] not prepared [illegible] pay for fee-based [illegible] [illegible] Borhani replies: "[illegible] [illegible] can [illegible] value, [illegible] [illegible] not found [illegible] [illegible] [illegible] paying fees. I think [illegible] [illegible] [illegible] commercially [illegible] [illegible] down the fee-based [illegible]. It [illegible] not [illegible] capital-intensive; [illegible] grow more slowly; and you [illegible] time [illegible] build [illegible] relationship, as you have to be able to answer [illegible] every piece [illegible] advice you give in two or three years' time."

[illegible] some [illegible] [illegible] advisers, Murray Noble [illegible] not con[illegible] [illegible] [illegible] only [illegible] ranks [illegible] the wealthy [illegible] find [illegible]. Its aim [illegible] to bring its [illegible] to ordinary people, [illegible] this [illegible] [illegible] is still some way from being realised.

The Independents

REAL

Keivan Borhani

Name	Murray Noble Group
Address and head office	[illegible]
Date firm was established	1976
Regulator	[illegible]
Funds under management	£2.5m (broker funds); [illegible] (Asset Monitoring Service)
Number of clients	[illegible]
Number of offices	2
Minimum investment accepted	No minimum
Services offered	Financial planning; investment; tax advice; estate planning.
Fees	[illegible]

"[illegible] [illegible] [illegible] [illegible] a client [illegible] [illegible] what [illegible] your [illegible]" Borhani explains. "We [illegible] what is [illegible] problem and [illegible] [illegible] we help? We [illegible] [illegible] in [illegible] [illegible] [illegible] couples [illegible] think [illegible] financial planning [illegible] worthwhile for [illegible]. What we don't yet have is sufficient volume [illegible] bring [illegible] prices down."

Murray Noble's [illegible] [illegible] financial planning [illegible] [illegible] [illegible] an hour, while administration [illegible] [illegible] [illegible]. If [illegible] [illegible] [illegible] [illegible] a common [illegible], however, [illegible] will [illegible] quoted a [illegible] [illegible]. Noble-Warren says: "If people have a retirement income question mark in mind, [illegible] example, we can [illegible] [illegible] [illegible] [illegible] for anything [illegible] £400 and [illegible], depending on [illegible] complexity [illegible] the case."

[illegible] initial meeting with [illegible] client [illegible] free and [illegible] [illegible] [illegible] [illegible] Murray Noble offices, which [illegible] London's Fleet [illegible]. "[illegible] first interview [illegible] [illegible] [illegible] to get to know each other and to make our assessment and [illegible] see [illegible] we can help," says [illegible].

[illegible] adds: "It is [illegible] rare [illegible] someone says: what [illegible] are you [illegible] me? They say: I [illegible] [illegible] problem. I have inherited this [illegible], [illegible] I [illegible] about to retire, [illegible] my daughter has [illegible] syndrome."

"They don't [illegible] here [illegible] say: plan me," Borhani agrees. "And, very often, the needs we identify are very different from the things they consider they need. That gets sorted out over the [illegible]."

Couples [illegible] put under some [illegible] [illegible] [illegible] [illegible] first meeting together, although [illegible] [illegible] this insistence on mutuality has [illegible] problems [illegible] times: "On [illegible] occasions, [illegible] partners [illegible] subsequently [illegible] – and then each of them has [illegible] [illegible] continue with the [illegible] planner."

[illegible] [illegible] [illegible] a [illegible] graduate [illegible] [illegible] Murray [illegible] four financial planners. All [illegible] [illegible] have [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] Planning, and some [illegible] [illegible] awards: Noble-Warren [illegible] *Money Management's* Financial [illegible] [illegible] the [illegible] in 1992 [illegible] a [illegible], Joanna [illegible], [illegible] *Money Week's* Independent Financial [illegible] of the [illegible] in 1993.

The firm's strategy is to [illegible] long-term relationships with its [illegible]. To do [illegible], it offers continuing [illegible] and help on [illegible] [illegible] fee [illegible]. Should clients be made redundant, they receive the retainer service free for two years, if [illegible].

There are three levels of ser[illegible]

- The Executive (£60 a year) provides quarterly newsletters, sundry mail shots and [illegible] annual tax and financial plan. This [illegible] [illegible] [illegible] [illegible] their planner to any changes in their circumstances.
- The VIP (£150) offers all the benefits of the [illegible] [illegible] vice plus an annual interview with an adviser.
- The [illegible] (£480) is the [illegible]. Borhani [illegible] "It is designed for directors of com[illegible] [illegible] people [illegible] have quite complicated [illegible]. They have [illegible] objectives [illegible] [illegible] [illegible] the help of a planner on [illegible] much more regular basis."

[illegible] offered include [illegible] advice and investment management, and clients may receive a prod [illegible] [illegible] right direction if they need help that Murray [illegible] cannot provide. [illegible] [illegible] [illegible] [illegible] [illegible] a will, for example, will [illegible] given the names of solicitors known to the firm.

Borhani's area is investment management. He runs four broker funds, "our planners will [illegible] them if the performance is good" and [illegible] advisory [illegible] monitoring [illegible] and [illegible] "We [illegible] planned portfolios. [illegible] think this [illegible] [illegible] reason why [illegible] wasn't [illegible] single panic telephone call from clients [illegible] the time [illegible] the Kuwaiti inva[illegible]."

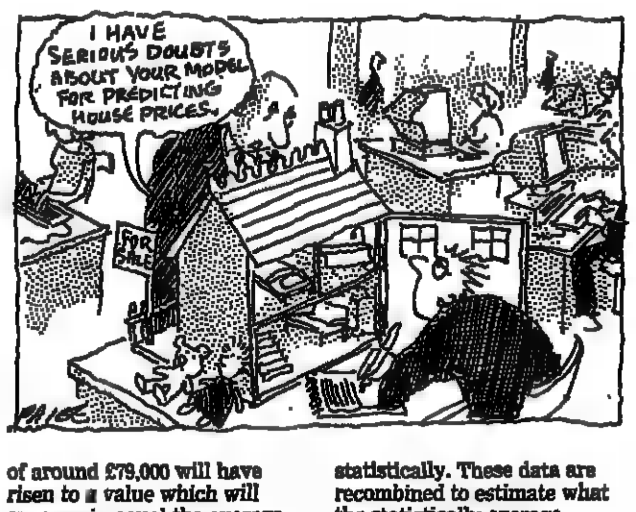
The firm's [illegible] [illegible] [illegible] to move [illegible] from investing in the [illegible], developed [illegible] [illegible] [illegible] US, UK [illegible] Japan. Noble-Warren [illegible] "The UK [illegible] just [illegible] stand up compared with [illegible] risk/return [illegible] can [illegible] [illegible] [illegible] [illegible], for [illegible] time, we [illegible] been [illegible] [illegible] [illegible] the other tack, [illegible] from [illegible] equities."

Murray [illegible] [illegible] indemnity [illegible] [illegible] [illegible] professional [illegible] and no [illegible] in [illegible] firm handles [illegible] money. Noble-Warren [illegible] "If people [illegible] buying [illegible] security, they [illegible] pay a cheque [illegible] [illegible] money will [illegible] [illegible] [illegible] [illegible] [illegible]. [illegible] [illegible] have [illegible] [illegible] account."

On a [illegible] personal level, [illegible] [illegible] "I can't get on with people [illegible] just [illegible] [illegible] [illegible] greedy. [illegible] I wish [illegible] would [illegible] [illegible] a little more seriously, [illegible] of reacting [illegible] [illegible] spur [illegible] the moment. They end up with bits [illegible] products [illegible] [illegible] [illegible] and don't do what they should."

A better model

***Gerald Cadogan** gets the [illegible] of house prices*



Forecasting house prices can prove an embarrassment. The Household Mortgage Corporation predicted [illegible] [illegible] of 15.3 per cent in house prices [illegible] 1991/92. The prices [illegible] steadily down. [illegible] HMC [illegible] [illegible] Loughborough University's [illegible] department [illegible] [illegible] a [illegible] model [illegible] predict changes up [illegible] two [illegible] ahead. The [illegible] [illegible] looks [illegible] – a [illegible] by the [illegible] [illegible] the year [illegible] between 4¼ [illegible] 7½ per [illegible].

[illegible] went wrong with [illegible] [illegible] model, produced by the Henley Forecasting [illegible] [illegible] in [illegible]. It [illegible] well in [illegible] boom, [illegible] [illegible] Wagland [illegible] HMC, but [illegible] not [illegible] during recession, partly because it [illegible] [illegible] [illegible] enough [illegible] of [illegible] fall [illegible] in [illegible] building, [illegible] [illegible] [illegible] [illegible] [illegible] that [illegible] [illegible] built [illegible] clogging [illegible] market.

The Loughborough [illegible] has combined a [illegible] [illegible] indices, such [illegible] housing starts, the unemployment [illegible] and mortgage [illegible] with 34 general economic [illegible] [illegible] provide [illegible] forecast.

[illegible] predictions [illegible] not include long-term demographic trends, [illegible] as [illegible] growth [illegible] households which [illegible] [illegible] [illegible] [illegible] – single mothers included – than the growth [illegible] [illegible] population. But they can divide [illegible] country [illegible] regions and predict that in [illegible] North West, where [illegible] slumped [illegible] than in the [illegible] of [illegible] country, they will start [illegible] [illegible] only in [illegible] year's time. [illegible] then, in [illegible] South East a [illegible] [illegible] [illegible] of around £79,000 will have risen to [illegible] value which will once again equal the average value of the mortgage.

They expect a rise of more than [illegible] per cent in the South East, South West and East Anglia by 1995, and of less than [illegible] per cent in Wales, the North West and the North. For the Midlands and Scotland they predict 4 to 6 per cent.

The HMC forecasts complement the Halifax and Nationwide price indices. Halifax, the largest lender, is predicting that house prices will rise by 5 per cent during the year and Nationwide shares a similar view.

All three models measure a statistical mean – not actual bricks and mortar. The two societies' indices take their data from the properties on which they lend each month, breaking them down into basic [illegible] (type, size, number of bathrooms, central heating, arrangements for cars, etc) and rating these statistically. These data are recombined to estimate what the statistically average property that was the base in 1983 would cost now.

Why do the two indices differ, if both were started at 100 in 1983? Halifax now stands at 201.3, Nationwide at 193.90. The differences are not so great as the numbers suggest. The methodology of both indices is much the same. And, since inception, their long-term trends agree startlingly well.

The different numbers [illegible] partly their different ways of measuring and weighting.

Nationwide looks to the South and South East and measures by mortgages approved – many of which will not be completed for a month or two, and some not at all. But approved rather than completed mortgages, makes a useful early indicator of trends. At the end of 1993, Nationwide was showing an annual change of 3.3 per cent; Halifax 1.2 per cent.

FINANCE AND THE FAMILY

More help for taxpayers

Andrew Jack reports on a new form-filling service

Rumblings over the Inland Revenue's shift towards a self-assessed tax system are growing, and accountancy firms are beginning to respond with new services. BDO Binder Hamlyn, the UK's eighth-largest, has made the latest move by starting a fixed-fee tax return service aimed at personal taxpayers. This follows the launch in November of a telephone-based tax return service run by Fryer & Co., a small accountancy firm based in Luton.

Binder also is thinking of opening tax shops similar to the H & R Block chain in the US and an equivalent in Australia. Several other accountancy firms and tax advisers are considering similar moves.

The fuss has been generated by one of the most radical reforms of the British system ever proposed, although it mirrors systems already in place in countries such as Ireland and the US.

Known as "self-assessment," it is scheduled to begin in the 1996-97 tax year. In essence, the onus is on taxpayers to complete their own returns, calculate their own liability and pay the amount straight to the Revenue rather than waiting for assessments by officials, as now.

The government's commitment to the system has been stressed in the past two Budget statements, and consultation papers have long been circulating within the tax profession. But some are not happy with what they see.

Frank Akers-Douglas, head of private client work for Binder, says the draft versions of the new tax return run to about 19 pages, with some 26 pages of accompanying notes. "Our view is that more and more people will need help in preparing their returns but are frightened to use accountants at present because of the costs."

Binder's service – which has been tested on existing clients – offers a fixed fee for processing the return. This is based on a sliding scale between £200 and £1,200, depending on how many entries need to be filled on the return. In addi[illegible] the firm will charge for professional [illegible].

Privately, some Revenue officials [illegible] they [illegible] as scare-mongering by accountants seeking to generate new [illegible] in the confusion caused by the change.

There is no doubt that there will be more complications for taxpayers. On the other hand, only about 9m will be involved. Those whose returns are dealt with entirely through the pay-as-you-earn system should be unaffected.

Equally, the Revenue [illegible] that, under the new system, taxpayers can still opt, as now, to file their tax returns without calculating their final liability and get an assessment from the tax office.

Annuities / William Burrows

Flexible friend

Falling annuity rates have put flexible annuities under the spotlight. These are a radical departure from the conventional annuity where the rate and benefits are fixed at the start. So far, the only providers of flexible annuities are Provident Life and Equitable Life.

A flexible annuity allows control over payments and, to some degree, over the underlying investment. There is the option to take tax-free cash, with the balance of the fund invested either in investment-linked or with-profits pension funds. The annuitant receives his payments direct from the fund.

This contrasts with a conventional annuity where the life company invests the capital on the annuitant's behalf [illegible], in [illegible], [illegible] a guaranteed income for life.

■ **Benefits**
One of the main disadvantages of a conventional annuity is that the benefits have to be bought at outset. With the flexible version, there is normally no need for guarantees and increases can be [illegible] from [illegible] growth, [illegible] should offset the effect of inflation.

Conventionally, a spouse's benefits are bought at the start but there are three options with the flexible annuity:

□ The surviving spouse can [illegible] receiving [illegible] from the fund.

□ The remaining fund can be paid into an annuity.

□ The balance of the fund can be paid as a lump sum into the annuitant's estate.

Since the surviving spouse probably will need an ongoing income, the ability to continue taking the pension from the flexible annuity is an attractive option.

■ ***Flexibility***
Unlike conventional annuities, the flexible version allows the annuitant to choose what level of income is paid [illegible]. The only [illegible] are that the minimum payout is 5 per cent and [illegible]imum is 15 per cent of the pension [illegible].

Low annuity rates deter pensioners from buying one because the starting annuity is [illegible] for life, but [illegible] annuities allow holders to start drawing a pension without committing themselves to a low-yielding [illegible].

The flexible annuity can be converted [illegible] a conventional annuity at any time so, if rates rise, the annuitant can take advantage of the more favourable levels.

■ [illegible]
There is [illegible] problem with conventional annuities, except for with-profits and unit-linked annuities, [illegible] will be exposed to considerable investment risk. The fund value will fall if the income taken out exceeds fund growth.

This is not a major concern *if the difference is small* because an annuity is, after all, a sinking fund. But if the annuitant lives for a long time, *there will be the risk of triggering* an automatic conversion – if the fund is not sufficent to provide the minimum annuity *allowed, then it will be* used to buy a conventional one.

■ *William Burrows is annuity director of Annuity Direct. Tel. 071-375 1175.*

LATEST ANNUITY RATES

Compulsory purchase level annuity			
Male age 55	Annuity	Female age 50	Annuity
RNPFN	£8,843.28	Norwich Union	£7,726.00
Equitable Life	£8,582.04	RNPFN	£7,625.40
Norwich Union	£8,508.00	Royal Life	[illegible].354.58
Compulsory purchase level annuity			
Male 60	Annuity	Female 60	Annuity
RNPFN	£9,858.96	RNPFN	[illegible]
Equitable Life	£9,513.00	Norwich Union	[illegible]
Generali	[illegible].51	Canada Life	£8,470.92
Compulsory purchase level annuity			
Male age 70	Annuity	Female age 70	[illegible]
RNPFN	£13,392.24	RNPFN	£11,461.32
Canada Life	£12,572.28	Canada Life	[illegible]
Equitable Life	£12,474.00	Royal Life	£10,[illegible]
Joint Life – 100% spouse's benefit			
Male 60/Female 57	Annuity	Male 65/Female 63	[illegible]
Norwich Union	£7,845.57	RNPFN	[illegible]
RNPFN	£7,763.40	Norwich Union	[illegible]
Canada Life	£7,611.00	Canada Life	£8,280.72

All payments are monthly in advance. Rates are as at February 2. Figures assume a purchase price of £100,000 and are shown gross. RNPFN annuities are available only to those in the nursing and allied professions. Figures supplied by the Annuity Bureau Limited, [illegible] House, 59-65 Upper Ground, London SE1 9PQ. Tel: 071-620-4090.

How to build order – and profit – from chaos

Bernice Cohen's share portfolio benefits from gauging the disorderly mix that makes up market behaviour

The experiments [redacted] market [redacted] apply complex, [redacted] ematics-based [redacted] puter techniques [redacted] their [redacted] ing were described in the Wee[redacted] FT recently* by [redacted] Cookson.

[redacted] a do-it-myself investor, I cannot hope to apply these concepts with similar rigour. Nevertheless, in my own efforts to research and [redacted] [redacted] family share portfolio, I [redacted] been trying [redacted] incorpo[redacted] an [redacted] equivalent [redacted] their approach [redacted] time.

[redacted] system [redacted] infallible, [redacted] relationship between mathematical chaos theories and [redacted] private investor's [redacted] historic [redacted] performance [redacted] more [redacted] tive than scientific. [redacted] it helps me [redacted] disorderly mix [redacted] makes [redacted] behaviour.

[redacted] theory [redacted] science [redacted] irregularity [redacted] nature. [redacted] explores unpredict[redacted] behaviour that is governed by simple rules. This sounds contradictory, but [redacted] offers [redacted] illus[redacted] The physical mecha[redacted] producing hurricanes follow recognisable patterns because [redacted] the physics [redacted] con[redacted] currents, but [redacted] still difficult to predict detailed timing in any specific occurrence. Accordingly, weather forecast[redacted] use charts showing [redacted] of high and low [redacted]

[redacted] I always use fundamental analysis [redacted] making investment [redacted] I [redacted] study [redacted] stock [redacted] indices and individual share prices [redacted] repeating [redacted] that I believe [redacted] chaos in the markets. [redacted] patterns [redacted] recurring [redacted] behaviour of investors, just [redacted] a temperature chart monitors [redacted] in [redacted] patient.

Computers [redacted] nature's irregularities including [redacted] lines, mountain [redacted] or lightning. These maps, or "fractals", [redacted] the geometry of irregularity. They [redacted] pattern [redacted] within apparent disorder. By following millions of [redacted] repeatedly, [redacted] computer reveals in graphics the geometrical nature of chaotic systems. This applies equally to financial markets.

Charts record a time series of numerous individual prices which share many features with computer-generated fractals. I use a range of moving averages – such as those over 20, 50 and 200 days to help me decide when to buy or sell. This is because moving aver[redacted] smooth [redacted] the share price series and distil [redacted] the underlying trend.

Following [redacted] trend [redacted] me to profit from market movements. [redacted] develop because share prices, like [redacted] chaotic [redacted], are prone [redacted] lengthy positive [redacted] loops.

Share price [redacted] more buying and further price rises, in a positive loop. As the loop repeats itself, a [redacted] becomes *established*, propelled by its own momentum. Prices are pushed ever higher, but the trend grows increas[redacted] unst[redacted] until *profit-taking* changes [redacted] feedback loop abruptly.

Heavy selling brings out [redacted] sellers [redacted] falling prices stimulate further [redacted] around the positive loop again but, this time, in reverse. Big profits can be made by staying with a prolonged rising trend, but it is equally important to anticipate the turning point.

Some patterns give clues to the timing of major turning points because they indicate a change of sentiment by a large group of investors.

If, as I think, the charts give a portrait of chaos operating in the markets, then it is not surprising that recognisable pat[redacted] repeatedly, [redacted] chaos theory shows that pattern and irregularity are intermixed in chaotic systems.

[redacted] cannot expect [redacted] understand the cryptic messages in a [redacted] painting unless we study it in depth. Similarly, we must study the jargon of chaos and technical analysis to profit from an understanding [redacted] chaos in the markets.

[redacted] of the [redacted] fascinating aspects of chaos science is the concept [redacted] strange [redacted] are pathways [redacted] the *long-run* behaviour [redacted] ever-evolving chaotic system as [redacted] changes over time.

They are [redacted] "strange" [redacted] they [redacted] only with [redacted] systems, and they [redacted] "attractors" [redacted] they [redacted] stray points back [redacted] so that, although [redacted] route [redacted] any one point can [redacted] forecast accurately, the [redacted] tor marks out [redacted] limits within which all [redacted] unpredictability [redacted]

Ironically, therefore, the strange [redacted] the [redacted] within the disorder. I think certain chart patterns [redacted] strange-sounding [redacted], such as head-and-shoulders or double tops, are examples of strange attractors in the stock [redacted] why they offer guidance [redacted] future price [redacted] It [redacted] be [redacted] ples of "bubbles" – [redacted] Sea [redacted] of [redacted] Tokyo Nikkei [redacted] of [redacted] – [redacted] patterns [redacted] are [redacted] or [redacted] tops.

As American [redacted] rushed into [redacted] Rim's smaller markets last autumn, the strength of the resulting positive [redacted] loop was clear to see. Now the charts, especially [redacted] Hong Kong and Malaysia, [redacted] of [redacted] bubble pattern in [redacted]

Courageous [redacted] probably will hang [redacted] until [redacted] complete [redacted] and shoulder or double-top pattern [redacted] then bail out swiftly. Since I [redacted] in [redacted] markets before they [redacted] rising strongly in October, I am almost completely [redacted] now; I [redacted] mish [redacted] heights.

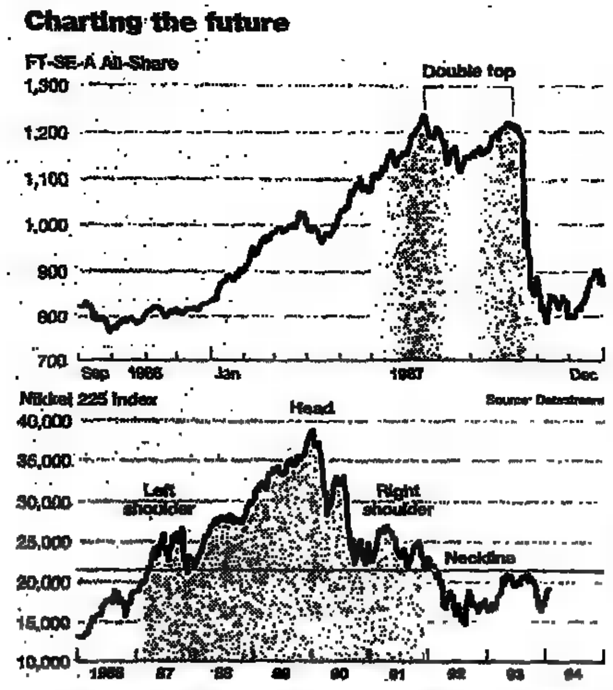
I believe [redacted] repeating [redacted] patterns are [redacted] thing [redacted] chaotic strange [redacted] Unfortunately, [redacted] usual [redacted] tionary warning [redacted] making important [redacted] decisions.

Sometimes, [redacted] patterns [redacted] through [redacted] the [redacted] ted conclusions. [redacted] no surprise, as they are examples [redacted] chaos – and knowing when the odd [redacted] will render [redacted] invalid [redacted] the essence [redacted] ing with [redacted] chaotic system.

"Maths-based trading brings Eldorado closer" – January [redacted] 1994.

[redacted] *for* [redacted] *a brief history and description of the* [redacted] *of* [redacted] *Gleick's "Chaos" (Penguin,* [redacted] *Ian Stewart's* [redacted] *Play Dice?" (Penguin, 1990); and "The New Scientist Guide* [redacted] *Chaos," edited by* [redacted]

Charting the future



The top chart shows the UK bull market rally of 1986-87. The double top (twin peaks) just before the crash are clearly visible. The bottom chart depicts the "head-and-shoulders" pattern of the Tokyo Nikkei bubble of 1986-93. The "sell" signal came early in 1992 when the pattern completed the right shoulder and the index fell below the "neckline"

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Archer (AJ)	Insu	15,000	11	1
Black Arrow	OS&B	25,000	10	2
Blick	E&EE	9,448	49	3
Burndene Inv	Dist	20,000	11	1
Caledonia Inv	OthF	7,500	54	1*
Frogmore Estates	Prop	35,039	184	1*
Gibbon Lyons	Chem	10,000	14	1
Hambros	MBnk	10,000	48	1
Helical Bar (a)	Prop	294,090	336	1
H'land Distilleries	SW&C	30,000	124	1*
Hodder Headline	Mdis	7,430	25	3
John Laing (b)	BCon	9,898	35	1
Kenwood App	E&EE	150,700	592	2
Menvier Swain	E&EE	20,000	48	1
Millwall Holdings	L&H	666,667	29	1
Perpetual	OthF	300,000	3,240	1
Protean	Eng	5,000	11	1
Rathbone Brothers	OthF	8,000	31	1
Stirling Group	Text	25,000	15	1
Vardy (Reg)	Dist	55,555	114	1*
Vodafone	Tele	70,000	417	1*
Warburg S G	MBnk	36,141	383	1*
Wood (JD)	Prop	50,000	60	1
PURCHASES				
Archer(AJ)	Insu	30,000	23	1
Asprey	RetG	3,000	11	1
Carclo Engineering	Eng	20,000	28	1
Crest Nicholson	BCon	10,000	11	1
Filofax	OS&B	25,000	40	1
Gt Western Res (c)	O&E	100,000	40	1
Johnston Group	BM&M	10,000	17	1
Sycamore Holdings (d)	BM&M	1,910,169	38	3

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. (a) conv [redacted] incl [redacted] ordinary; (c) common stock; (d) open offer & placing. Information released by the Stock Exchange 24 - 28 January 1994.
Source: Directus, The Inside Track, Edinburgh

Directors' transactions

The largest single transaction of the week was recorded in Perpetual, the unit trust and discretionary portfolio [redacted] ment [redacted] Martyn Arbib, [redacted] chairman, sold 300,000 shares at £10.80.

However, [redacted] performing extremely [redacted] recently and he still retains [redacted] share of the company.

[redacted] **Appliances**, famous [redacted] their [redacted] came [redacted] the [redacted] in [redacted] 1992 [redacted] first [redacted] on this list in [redacted] year. Since directors started selling then at 316p, the shares have actually [redacted] and are currently trading around [redacted] This [redacted] sales were slightly higher at [redacted]

Filofax keeps cropping [redacted] a [redacted] in which [redacted] still prepared [redacted] invest, despite the [redacted] price racing [redacted]

[redacted] the company [redacted] such a high rating, even given [redacted] product's global develop[redacted] prospects [redacted] hard [redacted] judge. Such a high degree of director confidence [redacted] surely [redacted] monitoring.

Colin Rogers,
The Inside Track

FINANCE AND THE FAMILY

Personal pension plans . . .

Personal pensions represent the most significant development in the life and pensions market in recent years, with more than 100 providers from which to choose and 5m plans sold since their launch in 1988.

But after a six-year sales boom, worth billions of pounds, life offices have been reprimanded for widespread mis-selling of transfer plans to employees with company scheme benefits.

Over the coming weeks, the Weekend FT will examine these providers and the quality of their products in terms of consistent investment returns and low, flexible charges.

In this introduction to the series, **Debbie Harrison** *explains what to look for when choosing a provider and what pitfalls to avoid.*

Before taking out a pension you should take advice, preferably from an adviser who accepts a [illegible] depending on a single product. [illegible] either enhanced terms with the provider or a rebate of commission.

*If the adviser is commission-*based, the best arrangement is to pay a series of single premi[illegible] all at once or as a "recurring single premium" (RSP) [illegible] high up-front commission costs, imposed on contribu[illegible] in the early [illegible] of a long-term, regular premium plan. These result in hefty [illegible] penalties.

You [illegible] the amount of commission and charges under an RSP contract and *make sure you are paying* no more than you would under a one-off single premium.

Not all of the providers covered in this series will offer *products through independent* advisers, [illegible] that do [illegible] not be prepared to offer non-commission terms. In [illegible] cases, Weekend FT will provide details of the sales channels used [illegible] on commission, charges and quality of advice.

Life office charges

In July, life offices are expected for the first time to provide *illustration of the net benefits* of an investment, [illegible] their own charges. By 1995 this will be compulsory.

Until then, if you ask for an illustration of what your pension plan could produce in, say, 20 years, providers will use standard charges devised by the Life Association and *Unit Trust Regulatory Organi*sation (Lautro). But these are much lower than the industry average and serve little purpose other than to lead you up the garden path.

INSURANCE for LIFE

Ian McKenna, a consultant with the independent adviser Blyth McKenna, says: "Some advisers already have details of real charges on their computer systems, but the present rules prevent us from showing them to clients. [illegible] look forward to the day when we can give a clear statement of the real cost of charges [illegible] impact on the total investment *return, the value of the policy* at early termination, and at transfer."

[illegible] FT, however, provides an example of actual *charges* [illegible] *profile* [illegible] compares these with the standard Lautro illustrations. As a rough guide, providers with charges at or [illegible] Lautro [illegible] are likely [illegible] good [illegible] money.

The [illegible] of a product having low or no commission [illegible] a low-cost charging [illegible] minimises the risk of [illegible] penalty if [illegible] decide to stop [illegible] plan or need to transfer the fund.

One final point on flexibility: *it is illegal under most circum*stances to belong to a company scheme and to run a personal pension. If you change jobs and join the employer's scheme, [illegible] *must stop your personal* pension contributions.

In these circumstances, watch out for the over-hyped [illegible] some personal [illegible]sions [illegible] you to convert to a free-standing additional voluntary contribution (FSAVC) plan which acts as a top-up to the company pension. This is often a ploy to encourage you to keep paying your premiums [illegible] the [illegible] Few younger employees will be able to afford both company and FSAVC contributions. FSAVCs are an [illegible] but should not be a condition of stopping payment to the personal pension plan.

Performance

Look for consistency: over a period of five or 10 years, an outstanding result in one 12-month period can disguise an otherwise lacklustre performance.

Andrew Warwick-Thompson, head of the partnership pensions section of the actuary, [illegible] Woodrow, [illegible] "Probably [illegible] best guide to future performance includes the use of past performance statistics with a clear [illegible] standing of how past performance was achieved; an assessment of the present investment style of a management team; and a knowledge of whether the individuals responsible for past performance are still in place."

Financial [illegible]

The company's [illegible] is noted in the [illegible] file. Mutual life offices do not have shareholders and are owned by their members. They cannot go to the stock market to raise capital as can proprietary offices.

But status – whether mutual or proprietary – is no real indication of financial position. The FT profiles use the Standard & Poor's UK life insurer financial strength rating, which is an opinion of the insurance company's financial capacity and flexibility to provide present and potential future policyholder benefits.

The triple-A rating indicates [illegible] offers "superior financial strength on an [illegible] basis." AA is "excellent" while A is "good".

FACT FILE

Name: Equitable Life Assurance Society
Status: Mutual
Founded: 1762
Market position: Largest life office in terms of new annual premiums, eighth largest in terms of fund size
Financial strength rating: Standard & Poor's AA (excellent)
Funds under management: £13bn (at 31/12/93)
Premium income 1993: Annual £320m; single £1,048m
Number of personal pension plan clients: 250,000
Number of transfer plans sold: 37,000
Sales outlets: Direct sales force remunerated by salary, part of which is related to quality and *quantity of sales*
Commissions paid: Nil to third parties
Recurring single premium contracts?: All personal pension *products written on this basis.*
Charges on personal pensions*: Good. Unit linked plan best out of 85 commission-based plans surveyed but higher *charges than the 5 commission-*free plans (also see box)
Expense ratio (management expenses divided by total premium income): Excellent: 6.6 per cent in 1992 (industry average last calculated in 1991 at 19.3 per cent)
Early termination penalties: None
Performance*: Excellent on with profits contract with results in top quartile or above average over 5,10,15 & 20 years. Managed unit-linked results very *volatile over the past five years* with particularly poor results in 1992 but back into top [illegible] for 1993.

**Source: Financial Times 1994 Personal Pension Handbook and Pensions Management.*

Roy Ranson, managing director of Equitable Life

Charges

To reveal the impact of management charges on the final fund of Equitable Life's most popular personal pension, the with-profits plan*, we asked for illustrations, using its own charges rather than the Lautro standard basis, for a man age 45 who expects to retire at age 65 (ie, a 20 year contract), paying (a) £200 per month and (b) a stand alone single premium of £10,000.

Illustrations using Lautro's standard charges, which in fact are lower than the majority used in the industry, are shown in brackets. The growth assumptions are Lautro's standard 6 per cent & 12 per cent.

	6% gth	12% gth
Monthly premium	£82,016	£164,254
£200	(£80,900)	(£158,000)
Single premium	£28,739	£96,441
£10,000	(£28,200)	[illegible]

**Equitable's unit linked personal pension plan illustrations showed charges equal to or marginally above the Lautro basis.*

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum [illegible]	Rate %	Int. paid
INSTANT ACCESS A/cs						
Coventry BS	Extra Interest	[illegible]	[illegible]	£1,000	6.60%B	Yly
Skipton BS	2 High Street	[illegible]	[illegible]	£2,000	6.50%	Yly
North of England BS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Yly
Coventry BS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.85%	Yly
				£25,000	7.10%	Yly
B & W Asset	[illegible]	[illegible]	[illegible]	£50,000	7.55%	Yly
Newcastle BS	[illegible]	[illegible]	[illegible]	£5,000	7.50%A	Yly
MONTHLY INTEREST						
Coventry BS	[illegible]	[illegible]	Instant	£1,000	[illegible]	Mly
Bradford & Bingley BS	[illegible]	[illegible]	30 Day P	£10,000	[illegible]	Mly
				£25,000	[illegible]	Mly
Newcastle BS	Nova Select	091 261 6622	28.2.96	£5,000	7.20%A	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£3,000	7.60%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.55%	Yly
Progressive BS		0232 244926	5 Year	£1	7.50%	Yly
Ipswich BS		0473 211021	5 Year	£100	7.40%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	[illegible]	Instant	£1	[illegible]	Yly
[illegible]	Classic Postal	[illegible]	Instant	£2,500	[illegible]	Yly
				£10,000	[illegible]	Yly
				£25,000	6.60%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	[illegible]	£500	5.75%	[illegible]
Confederation Bank (Jsy)	Flexible Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
				£25,000	6.80%	½Yly
Derbyshire (IOM) Ltd	90 Day	0624 663432	90 Day	£50,000	7.30%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
[illegible]y Life FN		0800 521546	2 Year	£25,000	[illegible]	[illegible]
[illegible] Assurance FN		081 367 6000	3 Year	£50,000	[illegible]	[illegible]
Financial Assurance FN		081 [illegible]	4 Year	£50,000	[illegible]	[illegible]
Eurolife FN		071 [illegible]	5 Year	£3,000	[illegible]	[illegible]
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	[illegible]		1 Month	£20	[illegible]	[illegible]
	[illegible]		[illegible] Month	£2,000	6.50%H	[illegible]
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%I	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	[illegible]		5 Year	£100	[illegible]	OM
	[illegible] Linked		5 Year	£100	[illegible] +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Rate guaranteed not to drop below 6%. B = 10 days loss of interest on all withdrawals. Rate guaranteed to 28.2.94. G = 5.75 per cent on balances of £500 and over; 6.00 per cent on £25,000 plus. H = 6.75 per cent for balances of £25,000 and over. I = 6.40 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.

Readers can obtain a complimentary copy by phoning 0692 500677.

FINANCE AND THE FAMILY

...and picking the best provider

Equitable Life's position [illegible] major [illegible] provider [illegible] undisputed, both in the individual and company markets, writes **Debbie Harrison**. It has a reputation for high-quality, high-performance products geared towards the more affluent investor who [illegible] afford above average premiums. It was founded in 1762 and is the oldest mutual life office in the world.

Yet there [illegible] something unusual about the office – a certain aloofness that has characterised its standing in the pension market for more than 230 years. The attitude of rival life offices and independent advisers towards Equitable is similar to that of the rest of Europe to Switzerland: a mixture of sour grapes and admiration.

Take its sales strategy. Equitable's aim is to deal personally with the pensions needs of managers, the self-employed, executives and directors. It may sound elitist but it is [illegible] formula that has worked for more than two centuries. Other life offices have sold through direct sales, independent advisers, tied agents or a combination of all three, depending on the prevailing fashion.

Equitable does not pay sales commissions to third parties and sells most of its products through its relatively small (375) salaried sales force. Seven per cent of its business is derived from other professional advisers but they do not receive any payment from the society.

Roy Ranson, chief executive, says: "The board first rejected a request to pay commission in 1765 and has never found its payment necessary [illegible] order to attract new business. By refusing to pay commission, we maintain strict control over our business and the quality of service."

The flagship of Equitable's personal pension range is its with-profits plan which has produced consistently good returns over the past 20 years. This is a [illegible] actively-managed fund which, at the end of 1992, comprised fixed interest securities (27 per cent), UK equities (41 per cent), [illegible] equities (11 [illegible] cent), property (9 per cent), and 12 per cent in other investments such as cash and index-linked gilts.

The strength of the with-profits product is that a proportion of the annual investment return is paid in the form of guaranteed bonuses which, once added, cannot be taken away.

Each year, Equitable announces a "yield" on the fund, part of which is guaranteed, while the remainder is non-guaranteed and confirmed only if the policyholder wishes to terminate the plan or retires.

Ranson says recent criticisms of the performance of with-profits policies, compared with unit-linked funds, are "nonsense."

"With-profits funds should be looked at over a rolling three to five-year period and not judged on an annually," he says. "Although the aim of the fund is to smooth investment returns to investors, there are bound to be peaks and troughs in the short term. It is always easy with hindsight to spot a specialised unit-linked fund that has done better."

'The attitude of rivals is a mixture of sour grapes and admiration'

Moreover, Ranson reaffirms the long-term view of pension planning. "It's no good switching all your assets every year to a new provider, not if you want to sleep at night."

[illegible] the [illegible] personal pension, in which contributions are invested in units that reflect directly the value of the underlying fund, the society offers 16 funds, ranging from low-risk gilt and fixed interest to the higher-risk Far Eastern fund.

Long-term performance varies. The top scores are from the high income, international, Far Eastern, fixed interest and money funds. However, the managed fund – the most [illegible] choice for unit-linked clients – got off to [illegible] good start in 1988 but slowly declined over the following four years, until its recent improvement [illegible] 1993 when it bounced back into the top quartile.

[illegible] in the pensions market, Equitable is [illegible] leading provider of in-house additional voluntary contribution (AVC) schemes and is very competitive on annuity rates. The society also offers clients a range of annuity products which have particular appeal to the active investor.

One of the problems of personal pensions and similar products is that, on retirement, the individual has to use the accumulated fund immediately to buy an annuity which, normally, provides a fixed income for life since it is invested in fixed-interest gilts. The annuity, once purchased, cannot be changed.

To combat this problem, Equitable sells both unit-linked and with-profits annuities which allow clients to continue to hold their pension fund investments in real assets.

As a further development, the society launched its managed annuity in October 1993 – the first of its kind – which allows investors a greater degree of control over their annuity fund than is possible under conventional [illegible]

The continued active investment, particularly in equities, aims to provide a better income in the long term. However, these products are complex and require both expert advice at the outset and careful management over the long-term.

The charging structure on Equitable's pension policies, devised in 1956 with the launch of its first individual pension product, is central to the society's "flexibility without penalty" philosophy and provides a blueprint for modern plans.

Each contribution is treated as a single premium and, therefore, future contributions can be reduced, stopped and restarted without any penalty.

The modest charging structure puts Equitable [illegible] the top [illegible] leaders in [illegible] industry in terms [illegible] value for money, according to statistics published in the Financial Times Personal Pensions 1994 handbook.

[illegible] the [illegible] Equitable will [illegible] greater competition as professional advisers negotiate non-commission [illegible] with more [illegible] the mainstream providers.

Nevertheless, in 1992 [illegible] had the [illegible] expense [illegible] (management [illegible] by total premium income) of all life [illegible] per cent and [illegible] than [illegible] of the industry [illegible] in [illegible] 19.3 [illegible] cent. The [illegible] expected [illegible] fall [illegible] per [illegible] 1993.

[illegible] far, [illegible] from [illegible] personal pension [illegible] scandal in which individuals [illegible] wrongly to [illegible] of company schemes.

The [illegible] plans, [illegible] significant proportion of [illegible] not [illegible] employees [illegible] but [illegible] individuals [illegible] with [illegible] performance [illegible] of another provider's plan.

Finally, Equitable [illegible] in [illegible] financial strength, receiving a [illegible] AA rating.

S&P [illegible] "Insurers [illegible] excellent financial security. Capacity to meet policy holder obligations is strong under a variety of economic and underwriting conditions."

News in brief

On your Marks for pensions

Customers at Marks and Spencer will, from early next year, be able to buy pensions and life insurance as well as food and clothes. The UK's best-known retailer is to broaden its financial services – it already deals in unit trusts and charge cards – but says its financial advisers will be paid entirely via salary, not commission. The [illegible] service will be [illegible] at six stores initially, but the aim is that it should spread to around 50 during the year.

□□□

The public [illegible] the Kleinwort European Privatisation investment trust – the biggest UK launch yet of such a trust – was three times subscribed, so applications are being scaled back. The trust had set its maximum size [illegible] £500m, but meeting all applications in full would have increased it to more than £880m.

Investors who applied for the minimum 2,000 shares will receive 700. Applicants seeking up to 2m shares will get about 31.45 per cent of that [illegible] while applications for more than 2m will receive 31.45 per cent of the first 2m, and 25 per cent of amounts above that.

Shares in the trust are partly-paid, with the remaining 50 per cent due on August 1. One warrant is being issued with every five shares.

Interim certificates will be sent out on February 8, together with cheques

M&S: Moving into the pensions market

for returned money. Dealings in the [illegible] and [illegible] will [illegible] separately on February 9.

The public offer for the similar Mercury European Privatisation trust closes on March 2. Its maximum size has been set [illegible] £575m, and £325m of that has been raised already through an institutional placing. Shares are to be fully paid, with one warrant for every five.

□□□

Guinness Flight is launching a unit trust specialising in global privatisations, the first of its kind. About 65 per cent [illegible] the Guinness Flight Global Privatisation trust will be invested in Europe, 25 per cent in the Far East and Australasia, and 10 per cent in other emerging markets such as South America.

Andrew Couch, one of the managers, said companies owned by the state before being privatised tended to be asset-rich, have [illegible] large market share, and to be priced fairly cheaply because governments needed the sale to go well. Often, there were efficiency gains, particularly from reduced labour forces and the introduction [illegible] new technology.

Initial charge for the fund will be 5 per cent, reduced to 3 per cent during the launch period of February 14 to March 4. Annual charge will be 1.25 per cent. The fund's holding of more than 50 per cent in European shares means it will be Pepable. Fees on the Pep are [illegible] per cent initial, 1.5 per cent annual, [illegible] decreasing [illegible] charge of [illegible] per cent in the first year, 2 per cent in the second and 1 per cent in the third.

□□□

The second instalment on British Telecom partly-paid shares is about to fall due. Lloyds' registrars must receive cheques by February 24 so they can be cleared before the deadline of 3pm on March 1. The second instalment price is 140p [illegible] share except for those holding interim rights who qualify for the instalment discount. They will pay 130p on the first 1,000 shares.

Investors who do not pay the second instalment on time may lose their right to the shares, together with any entitlement to dividends or incentives such as bonus shares. If the Treasury takes back the shares and sells them, defaulters may be entitled to [illegible] refund of 150p maximum [illegible] share.

Shareholders who have not received a payment notice by Tuesday, February 8, or who have lost it, should telephone the Lloyds' help-line on 0903-503 733.

□□□

Alliance & Leicester, Britain's fourth-largest building society, is to integrate personal customers of its Girobank subsidiary. But the only resulting novelty for Girobank's 1.4m personal customers will be a new logo – GIRO – branding the services [illegible] to them.

A & L said Girobank customers would continue to have the same rates and services as they do now and could still use post offices and the Girobank telephone banking facilities. The society has acted already to cut any overlap in products.

□□□

If you have [illegible] Switch debit card, you could soon use it for [illegible] range of financial services such as buying travellers' cheques and foreign currency, share dealing – even paying utility and credit card bills.

The organisation which runs Switch has ended its own rules against using the card for financial transactions, having been satisfied that security procedures are tough enough to prevent fraud.

Doubts over Florida legacy

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be [illegible] by post as soon as possible.

I am a beneficiary under the will of a US citizen (resident in the state of Florida) who died in February last year. His assets [illegible] held [illegible] entirely in US securities, in a trust.

The trustees have told the beneficiaries that the securi[illegible] have been [illegible] and [illegible] cash will soon be distributed.

They [illegible] out, however, that 57 per cent of the total is long-term capital gains, [illegible] the tax liability will be distrib[illegible] beneficiary in proportion.

I understand that, as a UK [illegible] I am exempt from US tax. Will I be liable for British capital gains tax?

■ On the bare facts given, it looks as though what you will acquire from [illegible] ([illegible] 71(1) [illegible] Taxation [illegible] Chargeable Gains Act 1992) is a portion of the balance in [illegible] bank [illegible] on the day on which you first have "the exclusive right, subject only to satisfying any outstanding charge, lien [illegible] other right of the trustees to resort to the (balance) [illegible] payment of duty, taxes, costs or other outgoings, to direct how that (balance) shall be dealt with."

Broadly speaking, you will [illegible] CGT only [illegible] exchange on [illegible] day differs from the rate on the day of disposal by a sufficient margin, after indexation relief, to bring [illegible] chargeable gains for the year above £5,800.

Ask your tax office [illegible] (Capital gains [illegible] introduction), which should make the general principles clearer to you.

Wheels within wheels . . .

During [illegible] financial year 1992/93, I worked in [illegible] health service. I used my own car on my employer's business and was paid [illegible] mileage allowance. For the first half of the [illegible] 1993cc, and for the second half one of [illegible].

On changing my car, I learnt I [illegible] being [illegible] agreed [illegible] Revenue, the health service and the Whitley Council" and not the fixed profit car scheme [illegible]. [illegible] result, I [illegible] incurred a [illegible] profit [illegible] more than £300 for the larger-engined vehicle, even though my [illegible]ileage paym[illegible] slightly below the top "tax-free" rate under the FPCS.

My tax office has told me the rates applying to the health service are not negotiable and that the only alternative is to ask to be assessed on a "statutory" [illegible]. Is there any redress?

■ The FPCS is a voluntary scheme which employers may choose, if it suits them. It is not open to an employee to claim the benefit of the FPCS if his employer has not chosen to operate it. "Statutory basis" means you have to make a detailed claim for expenses and capital allowances, based upon an analysis of your daily use of the car.

Tax liability on dividends

I am very unclear on the tax liability on dividends paid gross by offshore companies to UK residents. Are these taxed at 20 per cent as UK companies, or at 25 per cent?

Also, for a higher-rate taxpayer, is the additional tax due on a UK company dividend (on which there has been a tax credit of 20 per cent) an additional 15 or 20 per cent of the grossed-up figure?

■ Taking your questions in reverse order.

[illegible] for a higher-rate taxpayer is at 20 per [illegible] ie. 40 per cent minus the 20 per cent tax credit. Foreign dividends [illegible] taxable at 20 per cent (subject [illegible] any credit due in respect of tax charged in the country of ori[illegible] in the hands of basic-rate taxpayers, except for those tax[illegible] who are assessable on the remittance basis (Irish dividends being excluded from this exception).

As with UK dividends, higher-rate taxpayers [illegible] chargeable at 40 per cent.

Section 77(2) of the [illegible] 1993 [illegible] "The [illegible] in the Taxes [illegible] by sub-section [illegible] above shall apply, [illegible] it applies to [illegible] chargeable under Schedule F, to [illegible] income which:

(a) [illegible] chargeable under [illegible] V [illegible] Schedule D;

(b) [illegible] such that, being a dividend [illegible] of [illegible] in [illegible] United [illegible] it [illegible] be chargeable under Schedule F [illegible] company were so resident; and

(c) is not such that the tax is chargeable by virtue of [illegible] 65(5)(b) [illegible] that act on [illegible] full amount [illegible] actual sums [illegible] in [illegible] United Kingdom."

Time limits on a Pep

I have [illegible] self-select [illegible] Pep. [illegible] moment, it [illegible] £17,000 [illegible] and [illegible]. Some £6,000 [illegible] was added in [illegible] (for 93/94). I [illegible] investor and will buy [illegible] from [illegible] time.

The plan managers, [illegible] stockbroking arm of a major bank, wrote to me on December 20 1993 urging immediate investment of the cash. Otherwise, [illegible] said, the Inland [illegible] the plan invalid.

[illegible] latest edition of The British Tax Reporter says the last Revenue release on general Peps stated there was no limit to the time cash may be held in the plan.

Please can you tell me who is right?

If the bank is right, could I sell all equities in the plan and keep the cash in it? How long before the cash had to be re-invested, and what percentage of it could be retained as cash in the plan?

If no – what proportion could be sold and how long before the cash released into the plan had to be re-invested and what proportion of this could be retained in the plan in cash?

■ The Personal Equity Plan Regulations 1989 (as amended) do not specify an absolute time limit within which cash held by a plan manager must be invested or reinvested. But failure to use available cash to make investments within a reasonable time would be prima facie [illegible] so-called personal equity plan was, in fact, a sham and that [illegible] was simply [illegible] to exploit the Pep legislation for [illegible].

People [illegible] prefer cash to equities should put their [illegible] in a tax-exempt special savings account, not a Pep, and must accept the [illegible].

PERSPECTIVES

Minding Your Own Business / David Spark

Shelling out on growth

Partners faced with losing £1m find their fortune in the garden

When Derek Spice [redacted] Jane Hanckel moved [redacted] Afton Manor on [redacted] Isle of [redacted] in [redacted], they needed [redacted] money. They [redacted] in [redacted] of losing [redacted] than £1m – £200,000 on their former home in Virginia Water, [redacted] Lloyd's where Spice [redacted] a Name, and [redacted] in [redacted] in a motor-accessories [redacted] from [redacted] resigned [redacted] it [redacted] public in [redacted]. It [redacted] liquidation in [redacted].

[redacted] Afton [redacted] they [redacted] and breakfast, opened a camp [redacted] and imported a lorry-load [redacted] shell [redacted] a mulch [redacted] own [redacted] dens.

B & B [redacted] breakfasts [redacted] 7am, and [redacted] kept turning [redacted] at [redacted] time, including weekends.

This experience [redacted] their minds: "We [redacted] with the [redacted] and [redacted] potential was [redacted] shell," [redacted] Hanckel.

They called [redacted] Sunshine of Africa [redacted] it [redacted] proved a winner: [redacted] "[redacted] buy" in a [redacted] survey [redacted] compared [redacted] with garden mulches [redacted] on [redacted] bark, and [redacted] February in [redacted] gardening programme. [redacted] partners expect [redacted] sell [redacted] than £1m-worth in their current [redacted].

[redacted] shells used are stripped from cocoa [redacted] during [redacted] cocoa-making process. When applied [redacted] the garden, [redacted] preserve moisture in the soil and, [redacted] they break down, supply plant [redacted].

[redacted] normally sell the shell [redacted] up [redacted] cattle food but [redacted] it [redacted] be as undamaged as possible. Unbroken shell takes up four [redacted] and [redacted] needs more lorries to move it – and it can require cocoa factories to amend [redacted] manufacturing [redacted] damage.

[redacted] and Hanckel financed the business themselves by selling their Porsche and some life assurance policies. A picture of the Porsche hangs nostalgically in their office.

The pair moved to the Isle of Wight because they liked the sense of community: "People were here because they wanted to be here. We had been living near the M25 where, not surprisingly, we had the feeling people were just going round in circles," said Spice.

He had always used cocoa shell [redacted] his [redacted] garden, following the advice of his father, a former managing director of Gill and Duffus, commodity traders. After leaving Gill and Duffus, Spice's father had set up W.G. Spice and Co, a cocoa [redacted] in Hampshire, and [redacted] there [redacted] a while. And [redacted] Spice initially went [redacted] shell supplies.

In February [redacted] Hanckel [redacted] their produce, offering a [redacted] 140-litre [redacted] a bag [redacted] Wight proved [redacted] market. Gardeners [redacted] it and then [redacted] neighbours [redacted] it too. Soon, [redacted] and the horticultural department [redacted] the island's college became [redacted].

In a year, the partners sold 1,500 bags, five lorryloads. Articulated lorries visited Afton Manor and unloaded the shell on the tennis court where the gardener and two helpers shovelled it into [redacted].

The next step [redacted] sell [redacted] through garden centres. They designed their own waterproof bags and a display stand, which [redacted] Spice to persuade four garden centres to order 150 bags on his first day of selling.

They [redacted] had [redacted]

How does your garden grow: Jane Hanckel and Derek Spice sold the Porsche to launch their business

garden [redacted] all [redacted] urban [redacted] by March 1992 were advertising [redacted] nationally.

[redacted] difficulty [redacted] match [redacted] supply of cocoa shell: garden [redacted] like [redacted] place [redacted] in September [redacted] delivery [redacted] payment [redacted] following spring. The company now takes [redacted] loans, [redacted] business [redacted], [redacted] help bridge [redacted] gap.

Spice and Hanckel [redacted] an important supplier [redacted] the W.G. Spice plant at [redacted] ceased production. A replacement supply was found [redacted] Nestlé, [redacted] group, agreed to sell the shell from a new processing unit at York.

The company expects to sell £1.6m-worth [redacted] cocoa shell in [redacted] year [redacted] July, against £650,000 in [redacted], [redacted] aims for a net profit [redacted] between 10 and 12 per cent.

Shell prices [redacted] risen but the volume of business makes up [redacted] margins. The price in a garden centre is currently £9.99 to £12.50 for a 120-litre bag. [redacted] is also sold in three smaller sizes.

Other companies now supply shell [redacted] British [redacted] Spice and Hanckel were [redacted] is why they have [redacted] Sunshine of Africa as a brand, not cocoa shell as a commodity. With 90 [redacted] cent of the market, they also expect interest from the bigger companies whose mulches [redacted] place in the [redacted] survey.

[redacted] plan is [redacted] licences [redacted] know-how [redacted] quite a [redacted] for a product that was [redacted] the [redacted] of [redacted] Isle of [redacted].

■ *Sunshine of Africa (UK) Ltd, [redacted], Freshwater, Isle of [redacted] (Tel: [redacted])*

Fishing / Michael Wigan

Softly, softly nets the prize

T[redacted] fish [redacted] hard [redacted] catch. [redacted] we [redacted] not catch them we told [redacted] when one jumped: "Did [redacted] that [redacted], Pierre?" The guides in wide-brim hats, mosquito head-[redacted] concealing heavy moustaches, [redacted] on.

The problem was [redacted]. Salmon in Quebec take the fly when the [redacted] temperature [redacted] between [redacted] and 64°F. It was 68°F. The sun [redacted] scorching, [redacted] the chill they should [redacted].

The problem [redacted] also the fish. They were big, so big that when they jumped they hung in the air so you could study them. They were pink, and had been in the river awhile; disinterested in rising.

The [redacted] problem [redacted] the fishermen, as [redacted] transpired. Julien had an acute and canny guide who [redacted] him watching the water hungrily. While the rest of us plied our tireless craft over [redacted] pools containing the big fish, Julien was upstream casting over a rippling glide where the water was cooler, more oxygenated, more activating.

In a brace of [redacted] he had lost two, great silver, twisting, gleaming things taking to the air and spitting out the fly or snapping his tackle.

We all wanted Julien to get one. The line tightened. Guides began scrambling [redacted] him, shouting instructions, charging towards him through deep [redacted]. The [redacted] played doggo, obviously a [redacted] one. Taking the rod the guide tested the pressure: firm. Julien had hooked a rock.

In a Canadian phrase: "There are fishermen, [redacted] are fishermen".

There are also fisherwomen. We had one in our midst, a professor [redacted] surgery, female [redacted] for the [redacted] bluefin [redacted]-straight and with an avalanche of white hair, Madame Colette was accompanied by another tuna record holder.

He presented himself as the only [redacted] have caught [redacted] bluefins [redacted] more than 1,000lbs in a day. [redacted] he [redacted] once [redacted] champion [redacted] shooter, and [redacted] some tall-sounding [redacted] – "I like to [redacted] birds, many birds; in Argentina I [redacted] in [redacted] days".

On the morning [redacted] rude awakening, [redacted] these [redacted] despatched to outlying [redacted] river. [redacted] and her companion [redacted] did [redacted] things [redacted] land heavy salmon. They put [redacted] light tackle [redacted] microscopic flies the [redacted] of gnats. Their approach [redacted] the pool in which [redacted] fish [redacted] concentrated, history relates, [redacted] stealthy. Standing well [redacted] they [redacted] salmon in 15 minutes, [redacted] heavier. [redacted] it [redacted] lightest, [redacted] informed [redacted], she had [redacted] caught on [redacted] river.

Quebec has over 110 big salmon rivers – several are world-class

Quebec [redacted] 110 major [redacted] salmon, an awe-inspiring statistic. [redacted] fly-waters containing very large [redacted]. On [redacted] a man once caught a 47-, 37-, and [redacted] 30-pounders, plus five [redacted], in one day. [redacted] catches are limited.

[redacted] formed [redacted] rolling [redacted] plateaus almost uninterruptedly [redacted] in spruce. The rivers cut [redacted] through pristine wilderness. [redacted] are potable [redacted] totally clear.

The first people [redacted] appreciate [redacted] sporting charms [redacted] this fecund land were, unsurprisingly, the British. In the 1870s Lord Dufferin, Governor General of Canada, acquired leases on some of the Gaspe rivers, reached in those days by Indians paddling up the shallows in canoes. Although half of the province's salmon fishing [redacted] still in private leases from the government, much in [redacted] last 40 [redacted] been made public as the old [redacted] expired.

Since [redacted] democratisation [redacted] fishing, [redacted] on pools have multiplied; several fishermen may rake [redacted] pool simultaneously. Canadian use [redacted] the dry fly enters here. Fluffy concoctions [redacted] upstream [redacted] allowed to tip down the ripples with no drag. This brings salmon up [redacted] try and drown the nuisance [redacted] not [redacted] it.

[redacted] fishers, unconstrained by British [redacted] and inhibitions, have looked [redacted] fishing in fresh ways. Getting a big fish [redacted] tom in a clearwater grotto [redacted] a half-day campaign, employing look-outs from [redacted] studying [redacted] tion [redacted] passing temptations.

Cultures reveal themselves in people's attitude to salmon fishing.

[redacted] in Vancouver exer[redacted] their historic hunting rights by [redacted] spawning salmon in supermarket trolleys. The French, [redacted] ruined their migratory fish waters long ago, [redacted] enrap[redacted] mystique [redacted] as an [redacted] from a lost [redacted]. The Irish [redacted] all [redacted] be [redacted] by [redacted] and illegal [redacted]. [redacted] Canadians [redacted] dawn on [redacted] riverbanks, nourished [redacted] beer from a chill-box, and tell stories.

[redacted] said [redacted] Canada [redacted] "A [redacted] country [redacted] in [redacted] months [redacted] year, inhabited by barbarians, bears and beaver".

Clearly, he was not a fly fisherman. When British fishermen are thronging to experience the discomforts attending big-number salmon fishing in Russia, it is extraordinary that on Quebec's dream salmon rivers they [redacted] virtually [redacted].

■ *Information: Go [redacted], Swan Centre, Fishers Lane, [redacted] W4 1RX. [redacted] 081-742-3700. [redacted] 081-994-7388.*

Conflict over the future of Auschwitz

Continued from [redacted] I

[redacted] war. It might have been a [redacted] gesture, [redacted] an innocent mistake.

The council, where [redacted] cry [redacted] competing interests [redacted] differing theologies and commemorative customs [redacted] heard, [redacted] gradually overcoming [redacted] early clumsiness. [redacted] approval a new guidebook [redacted] being written, further righting the record. The permanent exhibition [redacted] base [redacted] being [redacted] with a broader his[redacted] are plans [redacted] put explanatory signs and photographs at Birkenau, hitherto left largely uninterpreted. [redacted] minor, [redacted]troversial, conservation work is being undertaken.

Curators from [redacted] Metropolitan Museum in [redacted] York have [redacted] Auschwitz will [redacted] $42m [redacted] preserve; but until [redacted] policy [redacted] figure means little. A [redacted] donation from [redacted] Greek government [redacted] received, but a larger Bel[redacted] government contribution [redacted] been held up by wrangling as to who should be the chan[redacted] for it, and a DM10m [redacted] pledge from German government and private donors through the Lauder Founda[redacted] in [redacted] conditional [redacted] specific [redacted] being [redacted] up.

One obvious [redacted] is [redacted] lack of a Jewish memorial, said Webber, [redacted] is [redacted] develop an overall concept of the place, [redacted] steer a path between the "theme park" approach (though that, he said, [redacted] not be so terrible) and a dignified memorial. Ideally, all [redacted] material should [redacted] removed and put into an educational centre outside [redacted] camp. This [redacted] David Cesarani calls the "poetic approach". The place [redacted] be left silent and eerie, [redacted] said, and the explanation of that silence provided elsewhere. "Auschwitz is didactic above all but I think the site speaks for itself if people know a little before they arrive. It [redacted] be freeze-dried, and should be, not left [redacted] into [redacted] marsh."

[redacted] agreed that "clumsy exhibitions in old barrack blocks [redacted] not [redacted] way." But he disagrees about [redacted] future. "The question is [redacted] Auschwitz sink into [redacted] European consciousness. There should be a serious monument so that in 200 or [redacted] years there [redacted] something left to [redacted]. Otherwise I think the whole thing [redacted] allowed [redacted] rot."

A perfect solution [redacted] in this [redacted] added. "The [redacted] and problems [redacted] very healthy, a [redacted] of decent, ordinary, moral [redacted] perfectly reasonable. [redacted] in the long [redacted] it will [redacted] out."

[redacted] Helfgott, a 64-year-old [redacted] businessman living in London, [redacted] more than five [redacted] in concentration camps. He was 10 years old when he and [redacted] family [redacted] into a ghetto in their home town [redacted] Piotrkow, [redacted] Lodz. [redacted] just [redacted] was killed, just 15 when his [redacted] away. [redacted] killed. Another, like him, survived [redacted] a tiny handful [redacted] 1½m children [redacted].

"[redacted] people – you [redacted] – [redacted] arguments [redacted] trivial. But we don't live in a [redacted] world. I [redacted] that somehow, while one has [redacted] careful [redacted] revisionists will say, we have to make sure that we preserve what is left. [redacted] might [redacted] slightly different, but still [redacted]."

"Nothing [redacted] an answer [redacted] we suffered," [redacted] said. "No-one in [redacted] world, not [redacted] a writer like Levi [redacted] description [redacted] divine, can really [redacted] what we felt, [redacted] experienced – [redacted] starvation, the punishments, the [redacted] the humiliation, [redacted] sleep, [redacted] by vermin."

There were two debts to be paid, he said finally, one to those who were killed, the other to those still to be born. "So that those who died will not have died in vain we must be constantly aware of what happens when a government or people take it on themselves to decide the fate of other people. The safety of individuals must be preserved. That is a [redacted] duty [redacted] all [redacted].

"That [redacted] why the places should be there for people [redacted] important [redacted] preserve [redacted] with dignity, without exploitation [redacted] exaggeration. Auschwitz can [redacted] preserved both as a symbol and as a museum. I don't see it as an issue."

[redacted] may never be able properly [redacted] understand what happened [redacted] places like Auschwitz. But [redacted] see the [redacted] comprehend, in physical confrontation, the real meaning [redacted] Hitler's war.

LEGAL NOTICE

No. 00286 of 1994

In the High Court of Justice
Chancery Division

IN THE MATTER OF ORB ESTATES PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 18 January 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named company from £40,764,878.56 to £19,000,000 and for the reduction of the Share Premium Account of the said Company by £27,275,305.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to [redacted] Registrar Buckley at the Royal Courts of Justice Strand London WC2 2LL on Wednesday the 16 February 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital and Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED the 4th day of February 1994
Slaughter & May
35 Basinghall Street
London EC2V 4DS
Ref- RLH
Solicitors for the said Company

The tone of racial abuse

***Joel Kibazo** on the perils and frustrations of being [illegible] black man in South Africa*

At the sight of [illegible] the [illegible] policeman [illegible] into [illegible] [illegible], gesturing wildly, his [illegible] burning as I approached. Although his language was mostly Afrikaans, I could still recognise the [illegible] [illegible] racial abuse.

[illegible] the pistol strapped to [illegible] waist, I [illegible] plans [illegible] ask him for directions [illegible] Johannesburg's World Trade Centre, where historic talks on a [illegible] constitution for "a [illegible] ocratic, non-racial South Africa" [illegible] taking place.

I jumped [illegible] into [illegible] [illegible] and, trembling, [illegible] [illegible] [illegible] [illegible] [illegible] to the [illegible].

I had [illegible] [illegible] [illegible] [illegible] [illegible] television pictures [illegible] spent [illegible] talking [illegible] [illegible] and contacts, yet nothing [illegible] quately prepared me for South Africa. In [illegible] country where colour is everything, [illegible] first thing I had [illegible] [illegible] with was [illegible] black.

That incident [illegible] to [illegible] [illegible] first [illegible] many ironies [illegible] inconsistencies during [illegible] two-month stay.

[illegible] Africa had [illegible] me [illegible] I [illegible] became aware of apartheid as a child in Uganda.

Although discouraged by anti-apartheid campaigners from visiting South Africa, questions kept churning in [illegible] mind. [illegible] had apartheid [illegible] [illegible] [illegible] non-white population? [illegible] [illegible] true that the [illegible] in South Africa were [illegible] [illegible] than [illegible] in [illegible] [illegible] of the [illegible] – [illegible] [illegible] that [illegible] [illegible] used by [illegible] ment officials [illegible] justify the [illegible] What did [illegible] mean [illegible] [illegible] called an honorary white?

[illegible] [illegible] had brought the first [illegible] in [illegible] [illegible] [illegible] apartheid. In 1990, formerly proscribed parties were no longer banned and Nelson Mandela, [illegible] of the [illegible] National [illegible] [illegible] freed.

[illegible] [illegible] former enemies began [illegible] [illegible] [illegible] the [illegible] [illegible] the first non-racial election [illegible] [illegible] April [illegible] this year. I [illegible] [illegible] [illegible] [illegible] [illegible] witness [illegible] changes at first hand.

The first [illegible] [illegible] many ironies became apparent in the suburb I was to visit with two white [illegible]. It used to be termed a "white" [illegible] until the Group [illegible] [illegible] [illegible] abolished in 1989.

I had seen [illegible] [illegible] people in [illegible] [illegible]. Society [illegible] really changed, I thought, [illegible] reality soon [illegible] when I learned that most [illegible] the [illegible] I had seen [illegible] [illegible] staff working in the [illegible].

In the course [illegible] [illegible] stay, it [illegible] commonplace [illegible] [illegible] ignored by [illegible] people [illegible] only my [illegible] colleagues were spoken to. When I [illegible] not being ignored I [illegible] being insulted. A [illegible] [illegible] a gold [illegible] on [illegible] [illegible] [illegible] Johannesburg [illegible] [illegible] repeat slowly everything [illegible] told the

'Whites [illegible] eager to tell how things have changed'

[illegible] journalists, [illegible] [illegible] I [illegible] [illegible].

I [illegible] [illegible] [illegible] with [illegible] petty aggravations – but [illegible] [illegible] more significant [illegible] to [illegible].

I [illegible] a [illegible] [illegible] in Johannesburg [illegible] visiting Durban. She [illegible] surprised [illegible] [illegible] "You [illegible] [illegible] careful of [illegible] [illegible] Durban [illegible] [illegible] [illegible] full of low-class [illegible] people." A [illegible] male colleague [illegible] to explain and said simply: "You see, you are not from here. You [illegible] [illegible] black from overseas." I was supposed [illegible] [illegible] heartened by such [illegible].

Yet, on several occasions this distinction [illegible] important. Just outside Johannesburg [illegible] white man refused to let me use [illegible] public phone [illegible] he had [illegible] series of calls to make. When I asked [illegible] [illegible] next phone [illegible] he looked up and [illegible] "Oh [illegible] must [illegible] from Britain. Here, come and use the phone."

Even more startling [illegible] the extent [illegible] which apartheid [illegible] taken hold in the minds of black people. Among professionals, only around 5 [illegible] [illegible] of management positions and less than 1 [illegible] [illegible] of [illegible] executive positions [illegible] occupied by black people. Yet, [illegible] a conference I [illegible] [illegible] black [illegible] [illegible] executives, the agenda was [illegible] [illegible] [illegible] gates argued [illegible] who [illegible] black and who was not for the purposes [illegible] affirmative [illegible].

On learning you are [illegible] visitor, almost [illegible] [illegible] [illegible] African [illegible] [illegible] [illegible] [illegible] [illegible] impress upon [illegible] how things [illegible] changed. The frequency [illegible] promptness with which [illegible] [illegible] said, [illegible] [illegible] convincing until you [illegible] them if they [illegible] [illegible] [illegible] [illegible] township, or had [illegible] [illegible] [illegible] [illegible] people, [illegible] than their domestic [illegible].

The reply [illegible] often [illegible] mumbled "no" [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] guilt [illegible] the [illegible] of apartheid [illegible] [illegible] [illegible] [illegible] [illegible].

On a [illegible] [illegible] [illegible] [illegible] [illegible] in the [illegible] [illegible] the country, [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] the [illegible] companies to [illegible] [illegible] [illegible] in South Africa nearly [illegible] [illegible] [illegible]. Today nearly [illegible] per [illegible] [illegible] [illegible] management [illegible] is black." [illegible] [illegible] one [illegible] [illegible] [illegible] or so senior [illegible] ment present [illegible] [illegible] [illegible] none of [illegible] management appeared [illegible] [illegible] [illegible] [illegible] [illegible].

Cape Town, home of [illegible] country's parliament, proved [illegible] be [illegible] friendly than Johannesburg [illegible] [illegible] or [illegible] [illegible] free. For [illegible] first time I began [illegible] feel [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] be in [illegible] foreign country.

But [illegible] I [illegible] [illegible] Africa, all I could feel [illegible] an [illegible] ing [illegible] of anger, and frustration [illegible] the humiliation [illegible] black [illegible] still has [illegible] endure; and because after more than 30 years of independence, South Africa had squandered the opportunities which [illegible] other countries on the African continent could match.

The frustration came from trying to understand how [illegible] world could have let apartheid happen, and how [illegible] [illegible] quences of the experiment will last for generations.

Taking it easy: but Joel Kibazo felt anger and frustration

Gardening / Robin Lane Fox

Your strategy for summer starts now

B[illegible] [illegible] wind and rain, [illegible] year [illegible] [illegible] of [illegible] [illegible] [illegible] snowdrops, [illegible] [illegible] [illegible] [illegible] [illegible] grip. The sunlight [illegible] [illegible] pale [illegible] [illegible] [illegible] [illegible] and buttercups [illegible] creeping wherever you [illegible] [illegible] [illegible]. [illegible] you [illegible] planning to change things, map [illegible] your strategy and start now.

Like untried horses, new garden-owners will do anything rather [illegible] [illegible] [illegible] [illegible] head-on. [illegible] [illegible] I [illegible] [illegible] learn to [illegible] I was [illegible] [illegible] again [illegible] [illegible] by [illegible] [illegible] [illegible] recruit [illegible] FT gardening. [illegible] City [illegible] has given her charge [illegible] [illegible] new garden by [illegible] during [illegible] week: she feels she can start only if [illegible] [illegible] [illegible] [illegible] on [illegible].

Why [illegible] I always tell them, [illegible] you want [illegible] [illegible] [illegible] of [illegible] architect's [illegible]. Every [illegible] on [illegible] [illegible] ject [illegible] [illegible] [illegible] [illegible] buy squared graph [illegible], [illegible] [illegible] [illegible] garden [illegible] [illegible] [illegible] [illegible] plan [illegible] experiment with [illegible]. We [illegible] all being brain-washed.

Drawing [illegible] no [illegible] [illegible] with garden planning [illegible] you [illegible] [illegible] design gardens for [illegible] people. You [illegible] [illegible] [illegible] [illegible] your head, which is the best place for it. What you need is string, not graph paper. Better, I find, to work it out on the site. Learn to look, not to draw.

There are mistakes which we all make: planting too closely, making beds too small at the first attempt, and succumbing [illegible] impatience. They [illegible] our basics, [illegible] [illegible] [illegible] why we keep straying [illegible] [illegible] them. But there [illegible] other [illegible] which [illegible] really should not make: [illegible] [illegible] of bits [illegible] other people's gardens; fussy curves [illegible] features; [illegible] foliage [illegible] [illegible] good [illegible] leaf would be better; gardens with the wrong [illegible] and no [illegible] of place. Drawing lessons will do nothing [illegible] protect you from [illegible] [illegible].

Instead, begin by appreciating [illegible] you have: [illegible] [illegible] and [illegible] setting with all [illegible] probable ghastliness. It could be [illegible] awful [illegible] you [illegible] [illegible] turn [illegible] and develop [illegible] contrary fantasy: [illegible] in your own setting by using good [illegible], [illegible] osmarea, yew, or the cherry laurel if you [illegible] in [illegible] country and are in a hurry. [illegible] design is [illegible] [illegible] better starting point than architectural drawing: give [illegible] garden [illegible] which are [illegible] [illegible] clipped from [illegible] [illegible] [illegible] without [illegible] [illegible] the top.

You might [illegible] more fortu[illegible] [illegible] [illegible] neighbours [illegible] [illegible] sodium lighting, there could be [illegible] [illegible] which you [illegible] pick up, something which [illegible] you to go for [illegible] low-growing formal design [illegible] a [illegible] [illegible] your only [illegible] [illegible]. [illegible] [illegible] [illegible] intuition and [illegible] [illegible] up mentally, as [illegible] [illegible] are dispensing [illegible] wardrobe round it. You [illegible] [illegible] [illegible] beginnings of [illegible] style, [illegible] [illegible] recycled [illegible] [illegible] Sissinghurst [illegible] London [illegible].

[illegible] people are helped by colour photographs of other people's gardens, but I find they [illegible] me [illegible] [illegible] [illegible] picious simultaneously: photographs lie, although [illegible] [illegible] ones can set you off [illegible] [illegible] tangent.

Play it by eye when designing the layout, says ***Robin Lane Fox***

If you are stuck, think back [illegible] your childhood [illegible] the hope [illegible] [illegible] conjure up [illegible] [illegible], a setting or a place with [illegible] landscape you [illegible] [illegible] [illegible] ture. You might [illegible] well [illegible] explicit [illegible] it could well [illegible] [illegible] implicitly, anyway.

[illegible] of [illegible] [illegible] [illegible] garden only once or twice in [illegible] lifetime and, [illegible] I [illegible] the personal history, I often find it [illegible] to [illegible] why somebody went for [illegible] particular style. If you [illegible] remember anything about your childhood, you might well [illegible] that garden designing is [illegible] your first priority until you [illegible] unravelled other balls of personal string.

This advice is probably most helpful for people with bigger gardens [illegible] [illegible] not [illegible] to turn inwards and create their own stage. It does not matter if the intuition is not altogether true to reality. I remember how Ottoline Morrell, [illegible] Edwardian hostess, described her village of Garsington [illegible] [illegible] [illegible] Italian place in Oxfordshire. It [illegible] not Italian at all, but she presided over a good, formal garden developed in the belief that [illegible] had this [illegible] genius.

Sometimes, [illegible] [illegible] [illegible] thing and [illegible] you must [illegible] [illegible] it, [illegible] if others [illegible] doubtful [illegible] it [illegible] really [illegible]. The [illegible] will [illegible] personal and [illegible] ful.

This encouragement might seem rather abstract and you could want [illegible] [illegible] with [illegible] ruler and [illegible] [illegible] instead. I will end with one specific tip.

Much more [illegible] now being written about planting [illegible] and putting plants well together. The recent seasons have made glorious nonsense of them by bringing out [illegible] [illegible] early [illegible] spoiling all [illegible] designer groupings. Nonetheless, I think they miss a more important point.

The style of planting needs to vary with a garden's size. Unless you want a two-weeks wonder, sequence and season ought to be the next obsessions after your initial vision. In a very small garden, you have no choice: you can choose only [illegible] [illegible] [illegible] plants for each [illegible] [illegible] spread them round [illegible] small plot. [illegible] [illegible] [illegible] [illegible], you can do what the books now tell you and plant those seasonal groupings and special blocks of colour at particular seasons. When they are over, you can walk past them to the clump of the moment somewhere else.

Most of us do not live in big gardens but on sites up to half an [illegible] at most. Here, we would do better [illegible] scatter the features [illegible] the moment round the main design, rather than amalgamate them in one clump.

Textbooks tell you the result is spotty – but it is not if you give the main setting a coherent framework of green hedging and shrubs. As you set out on this new season, I would tell you to be more relaxed, spread it around, and give your eye something at all angles, repeated at each season.

Financial Times Round the World Ski Expedition / Arnie Wilson

Many a welcome in the mountains

Tales from the mountaintop

■ During January Arnie Wilson [illegible] Lucy [illegible] [illegible] 312 miles; [illegible] vertical feet, [illegible] 67.17 [illegible] miles, [illegible] using altimeter [illegible] and a [illegible] provided by [illegible] and Rock. They drove 5,000 miles.

■ Actor and director Clint [illegible] enjoys [illegible] mountain air. Lunching at Sun Valley, Arnie noticed a pair of [illegible] [illegible] boring into him from [illegible] next table. Eastwood heard [illegible] Lucy was from Provence and [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] could [illegible] [illegible] Foreign Legion French, and [illegible] apologised. "That's the only French I know," he said.

■ Two FT readers [illegible] anxious [illegible] [illegible] [illegible] and Lucy [illegible] [illegible] Village, Jackson [illegible]. They [illegible] several [illegible] from [illegible] [illegible] Margaret Esau, [illegible] had [illegible] [illegible] [illegible]. They later [illegible] they were staying in the [illegible] room.

[illegible] visited:
Wyoming: Jackson [illegible].
Idaho: [illegible] Creek, Pomerelle, Sun Valley, [illegible] Mountain, [illegible] Basin, Brundage [illegible].
Oregon: Mount Bachelor, Mount Ashland, Mount Hood Meadows, Timberline.
[illegible]: Heavenly, Squaw Valley, Mount [illegible].
Washington: [illegible] [illegible], Stevens Pass.
British Columbia: Cypress Bowl, Whistler/Blackcomb, [illegible] Star, Big White, Apex Resort, [illegible] Mountain, Kimberley, [illegible], [illegible] Lake [illegible].

But where [illegible] the mountain? [illegible] [illegible] desperately scanning the night [illegible] [illegible] [illegible] glimpse [illegible] anything resembling a hill. At last we [illegible] a [illegible] which zig-zagged 16 miles into the sky [illegible] as we [illegible] [illegible] [illegible] [illegible] [illegible] Basin in Idaho we were relieved [illegible] be dazzled by [illegible] lights illuminating [illegible] of night-skiing trails.

There [illegible] been some touch-and-go moments [illegible] Lucy Dicker, my companion, and I during the first month [illegible] our round the world expedition – but we're still on course to ski [illegible] day [illegible] 1994.

Sceptical colleagues who [illegible] us [illegible] taking [illegible] year-long holiday have been proved wrong as we have already endured illness (colds), injury (slight), [illegible] theft (cameras and [illegible] cards), plus the [illegible] attentions [illegible] [illegible] North American media.

[illegible] have, [illegible] course made [illegible] one bad [illegible] was [illegible] drive on an ordinary mountain highway [illegible] [illegible] an interstate on our way to the windswept slopes [illegible] Mount Bache[illegible] in Oregon.

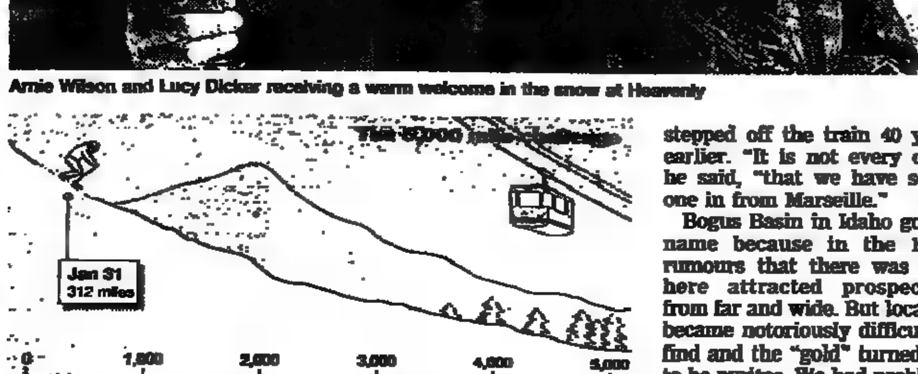
We drove [illegible] [illegible] hours through [illegible] [illegible] blizzard and [illegible] were times [illegible] [illegible] [illegible] distinguish between the [illegible] and surrounding [illegible].

Early in the night, we spot[illegible] a motel [illegible] were tempted [illegible] stop. But something felt wrong. Then we saw the name: in dimly-lit neon, Bate's [illegible]. My [illegible] hit the [illegible] and we hurtled into the night.

Celebrities, such as [illegible] Clint Eastwood, [illegible] [illegible] us well and we [illegible] even become minor celebrities ourselves, receiving incredible [illegible] everywhere we have been. [illegible] [illegible] [illegible] more dramatic was a mountain-top champagne reception and a huge [illegible] [illegible] [illegible] top [illegible] [illegible] [illegible] ument [illegible] at Heavenly in California. It [illegible] [illegible] moving sight, with giant [illegible] [illegible] reading: "A Heavenly [illegible] to Lucy and Arnie, round the [illegible] skiers."

Our odyssey began on [illegible] year's [illegible] [illegible] Jackson [illegible] in Wyoming, which we [illegible] courtesy [illegible] American [illegible].

Arnie Wilson and Lucy Dicker receiving a warm welcome in the snow at Heavenly



Arnie and Lucy have been set the challenge of skiing 5,000 miles during 1994. Distractions in the US mean they have slipped behind [illegible]

A couple [illegible] days later we were [illegible] [illegible] Valley, Idaho, the grande [illegible] of American ski [illegible].

[illegible] visiting [illegible] Valley [illegible] the [illegible] must almost [illegible] outnumbered [illegible] [illegible] pre-war population of Aspen. [illegible] photographs, lining [illegible] long [illegible] corridors of [illegible] lodge, [illegible] down at you: Gary Cooper, Marilyn Monroe, [illegible] [illegible] of Iran, [illegible] Gable, [illegible] Judy Garland.

Lucy [illegible] I tip-toed down [illegible] [illegible] [illegible] [illegible] a glimpse [illegible] [illegible] [illegible] [illegible] we were relieved [illegible] [illegible] [illegible] Maitre d', [illegible] [illegible] welcoming.

When [illegible] discovered [illegible] Lucy was [illegible] his native Prov[illegible] [illegible] ushered [illegible] to the [illegible] [illegible] [illegible] [illegible] house [illegible] [illegible] [illegible] treating us [illegible] [illegible] Hollywood [illegible] [illegible] [illegible] stepped off the train 40 years earlier. "It is not every day," he said, "that we have someone in from Marseille."

Bogus Basin in Idaho got its name because in the 1860s rumours that there was gold here attracted prospectors from far and wide. But location became notoriously difficult to find and the "gold" turned out to be pyrites. We had problems finding it too. Once settled in, however, Bogus provided some of our best snow and most picturesque skiing.

An instructor called Bud Piggot (he pronounced it like Peugeot) skied with us through the tree-lined avenues of Brundage Mountain, Idaho. Much as he loves skiing, his preference [illegible] to roar over the slopes rather than down them – his passion is aerobatics in a Pitts stunt plane.

After the Bates Motel scare [illegible] the way to Mount Bachelor, we recovered with an early brunch at the Sun River Resort and were ready for anything – including Mount Bachelor.

Bachelor is a barely extinct volcano, with a snow-covered cone that permits almost 360 degrees of skiing. Unfortunately the top half of the mountain, with the most challenging skiing was enveloped in a cold mist, and neither visi[illegible] [illegible] [illegible].

[illegible] Mount Ashland, Oregon, we did [illegible] [illegible] [illegible] above [illegible] [illegible] ceiling that seems [illegible] manently [illegible] [illegible] the town in. Ashland [illegible] [illegible] [illegible] [illegible] Shakesp[illegible] [illegible] [illegible] [illegible] [illegible] the resort, recently [illegible] from closure by [illegible] residents, [illegible] named [illegible] of [illegible] trails [illegible] Shake[illegible] plays [illegible] characters.

[illegible] was [illegible] [illegible] [illegible] Ashland [illegible] we [illegible] saw [illegible] most [illegible] mountain rising into [illegible] [illegible] in [illegible] [illegible] Cascades, [illegible] [illegible] [illegible] single volcanic [illegible]. This one [illegible] special. Even [illegible] more than 100 miles [illegible], [illegible] [illegible] we [illegible] [illegible] ski at Mount Shasta.

First, though, we had [illegible] appointment with [illegible] high [illegible] surrounding [illegible] [illegible] [illegible] world's [illegible] beautiful [illegible] [illegible] alpine water, [illegible] Tahoe. Heavenly, above the lake, [illegible] [illegible] with [illegible] snow-making [illegible] on [illegible] [illegible] and [illegible] [illegible] [illegible] the mountain.

Nearby Squaw Valley [illegible] [illegible] [illegible] [illegible] Lucy's favourite [illegible] so [illegible]. With [illegible] mountain [illegible] [illegible] from, [illegible] were spoilt [illegible] [illegible] [illegible] of them – Emigrant Peak – was [illegible] stark [illegible] [illegible] tragic [illegible] during [illegible] [illegible] century [illegible] many immigrants perished in [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

People still perish today [illegible] [illegible] Shasta. [illegible] than [illegible] high and riddled [illegible] glaciers, [illegible] [illegible] peak [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] to climb it in shirt [illegible] as if [illegible] [illegible] [illegible] afternoon stroll.

[illegible] [illegible] [illegible] leave, [illegible] [illegible] ington [illegible] "[illegible] welcomes [illegible] Times" [illegible] [illegible] sign above [illegible] lift station.

"[illegible] [illegible] [illegible] [illegible] [illegible] here?" [illegible] [illegible] Goodell, the owner, incredulously. Blue[illegible] is scarcely known out[illegible] Washington and [illegible] only one [illegible] lift, although [illegible] [illegible] give [illegible] [illegible] [illegible] trails.

[illegible] Columbia's [illegible] [illegible] us [illegible] welcome [illegible] [illegible] [illegible] [illegible] leave. [illegible] Star, [illegible] [illegible] [illegible] Apex [illegible] hoping [illegible] [illegible] skiers [illegible] Europe who [illegible] to [illegible] [illegible] variety [illegible] skiing in [illegible] [illegible] [illegible] [illegible]. [illegible] [illegible] only [illegible] minutes or [illegible] from Kelowna, [illegible] [illegible] [illegible] ers can ski all three areas.

Unlike [illegible] others, Red Mountain, another British Colum[illegible] resort, has [illegible] old mining [illegible] [illegible] [illegible] [illegible] its base. [illegible] [illegible] ski competitions [illegible] [illegible] [illegible] just before [illegible] turn [illegible] the century.

Although [illegible] skiing later expanded to another peak, Granite Mountain – [illegible] [illegible] skied Long Squaw, the best cruising run I have skied for years – the resort has retained the original name.

Panorama resort, whose outstanding views of the Canadian Rockies explain its name, has built a new T-bar to the top of the mountain [illegible] Top-Of-The-World. This gives the resort a [illegible] drop [illegible] 4,300 feet, [illegible] only to Whistler/Blackcomb ([illegible] feet) in the whole [illegible] North America.

And in Lake Louise, Alberta, [illegible] [illegible] our first month on skis – so now it's on to the [illegible] month.

COMPETITION

WIN A SKIING HOLIDAY IN COURCHEVAL OR VERBIER

In the second of our 'Round the World' competitions, simply answer three questions below, and estimate how many miles Arnie Wilson will ski during February. The winner will receive a four-day skiing holiday for two in Courcheval or Verbier provided by FlexiSki, and two runners up will each receive a case (6 bottles) of Singleton malt whisky.

QUESTIONS

1. What do double black diamonds on a US ski map mean?
   a. [illegible] b. Most Difficult Run c. Slalom Finish
2. Today we use wax – but what was commonly used on skis in Finland 1,500 years ago to make them go faster?
   a. Tree Bark b. Animal Hides c. Leaves
3. Which country is hosting this year's Winter Olympics?
   a. [illegible] b. [illegible] c. Japan d. Norway

And [illegible] many miles will Arnie ski this month?

THE PRIZES

FlexiSki (tel: 071-352 0044) [illegible] in flexible breaks in Courcheval and Verbier. Their prize features scheduled flights from Heathrow, private transfers to a chalet, ski guiding and meals.

The Singleton is an award-winning Speyside malt whisky, made mellow by the spring water from Dorie's Well and part-maturation in sherry casks.

THE SINGLETON OF AUCHROISK

HOW TO ENTER

Send your answers, plus your estimate of Arnie's mileage, with your name and address on a postcard to: Round the World Competition, Marketing Department, Financial Times, Number One Southwark Bridge, London SE1 9HL.

JANUARY COMPETITION: ANSWERS AND WINNERS

Answers: President Ford skied at Vail; Pistes are called Trails in the US; the Four Hills is the famous ski jump competition. Winner: Mrs [illegible] Payne of Petts Wood, Kent wins a week's holiday for 2 in Zermatt with Ski Scott Dunn. Runners up: David Blodgett of Voorheesville, New York, and Freddie Avis of London W2, each receive a case of magnums of Mercier champagne.

TERMS AND CONDITIONS

1. Entries on a postcard to: Round the World Competition, Marketing Department, Financial Times, Number One Southwark Bridge, London SE1 9HL, by Friday March 4, 1994. 2. The closing date for receipt of entries is Friday March 4, 1994. Proof of posting is not proof of receipt. No responsibility is accepted for entries lost, damaged or delayed in the post. 3. This competition is open to all readers over the age of 18, other than employees or their immediate family of the Promoter, or any agency or any other person directly associated with this competition. Only the closest entry per household will be considered. 4. By entering this competition, the Entrant will be deemed to have read and understood these rules of which the entry instructions form part and to be bound by them. 5. Prizes will be awarded in order of merit to those entrants who correctly answer questions 1-3 and who in the judges' opinion have most closely estimated the number of miles Arnie (or Lucy as his stand-in if Arnie is incapacitated) will have skied by the end of February. In the event of a tie, or ties, winning entrants will be invited to enter a separate play-off competition. 6. There is no cash alternative to the prizes. The decisions of the panel of judges shall be final and binding and no correspondence will be entered into. 7. Prize winners will be notified within 28 days of the date of judging. 8. A list of winners is available from the application address on receipt of a stamped addressed envelope marked 'WINNERS' after the close date. 9. The promoter is Financial Times, Number One Southwark Bridge, London SE1 9HL; FlexiSki, Crogen Stables, Corwen, Clwyd LL21 0SY; and The Singleton, c/o 15-17 Huntsworth Mews, London NW1 6DD.

SPORT / MOTORING

Rugby Union/**Derek Wyatt**

England's Back to the future

***Derek Wyatt** previews today's Calcutta Cup game in Scotland*

England expects. England supporters expect a win this afternoon at Murrayfield. They will [redacted] too bothered by the score so long as [redacted] is a win. A loss would be too frightening to contemplate. It would mean a triple whammy of lost causes – the Calcutta Cup, [redacted] Triple Crown and the Grand Slam.

England's [redacted] victory against the All Blacks belonged to their preparation for the [redacted] World Cup, the venue for which is still in doubt.

For now it will have to be stored in the players' mental [redacted] frames.

Today, England begin their participation in the Five Nations Championship which is [redacted] tournament that has little [redacted] no bearing on [redacted] World Cup. Its only plus [redacted] gives [redacted] Cooke, Dick [redacted] and Mike Slemen, [redacted] England management [redacted] coaching team, a chance [redacted] build a squad [redacted] international players, ready [redacted] anticipate [redacted] bigger prize. [redacted] reality [redacted] Scotland, Ireland and [redacted] only [redacted] Five [redacted] Championship in their sights.

Scotland still cannot believe that they have declined so quickly. A year ago at Twickenham they looked to have the [redacted] England until Craig Chalmers [redacted] injured and, after [redacted] Stuart Barnes pro[redacted] famous "shimmy" in his [redacted] 22 and, aided [redacted] Jeremy Guscott, Rory Underwood [redacted] an audacious try.

Even in New Zealand, [redacted] Scottish [redacted] pack were [redacted] technically deficient, folk in [redacted] Border [redacted] thought it [redacted] aberration and, [redacted] once [redacted] the players [redacted] worth. Alas, [redacted] horror story continued.

Ian McGeechan, [redacted] the [redacted] Lions side, [redacted] to conjure [redacted] Grand Slam [redacted] in 1990 yet this may well have [redacted] their nemesis.

Their [redacted] competitive [redacted]ture [redacted] too insular and [redacted] talent is spread [redacted] land desperately needs [redacted] Five Nations club championship. They have again juggled their players after [redacted] by Wales three weeks ago.

Chalmers may have left the stage for good, which would be a great loss to Scottish rugby. He [redacted] always one for taking risks. Gregor Townsend, his successor, has [redacted] much [redacted] carry on his [redacted] Gary Armstrong, the [redacted] soldier, now [redacted] Armstrong will [redacted] Kyran Bracken, [redacted] England counterpart, know [redacted] has [redacted] in a [redacted]

When [redacted] England [redacted] was [redacted] last [redacted], [redacted] was jubilation that [redacted] last, [redacted] whatever reasons, forced himself into the side for his first [redacted]. Back [redacted] the ability, rather [redacted] French flanker [redacted] in [redacted] early [redacted], to [redacted] game by the scruff of its neck.

His inclusion means England can play a wider game. Indeed, the tactical options they have with him on board, are embarrassing. His speed to the loose ball, followed closely by Ben Clarke, playing in his favoured No 8 position, means that the English backs will have a chance to run much more ball.

This will test the nerve of the Underwood brothers. Rory has not [redacted] self and needs one of his magical tries to convince supporters that he has not lost his appetite for the game. His brother, Tony, needs to prove he is a better footballer than either Mike Catt, of Bath, on the bench for the first time, or Northampton's Ian Hunter.

Even without Back, the threequarters should be working with more ball because of the brilliance of scrum-half Bracken's open play. He passes first. Morris, his England predecessor, always checked the close range opportunities for a split second longer than was necessary and then passed. Moreover, Bracken's pass is longer and gives Rob Andrew at stand-off more space.

There [redacted] a [redacted] in our household for the return of Jon Hall, the Bath captain. When international players fail to [redacted] final trial – [redacted] these days the [redacted] training [redacted] in Lanzarote – [redacted] playing ceiling [redacted] and they [redacted] come [redacted] with playing only [redacted] rugby, going on [redacted] after-dinner speech circuit and captaining Charity XVs [redacted] Sundays or [redacted] that open [redacted] clubhouses.

[redacted] my lot in 1980 when, after [redacted] years of final trials and [redacted] odd [redacted] and tour overseas, I was asked to captain a rag bag of a Bath side against [redacted] RFC to cele[redacted] their golden anniversary. It [redacted] of April, [redacted] ground was concrete hard, [redacted] at 5pm [redacted] weekday afternoon – not [redacted] time [redacted] endear you to your employer when you have already played 50 [redacted] in [redacted] and used [redacted] every excuse in the book as to why this [redacted] above all [redacted] others, is vital.

We were losing, much to the enjoyment of the large crowd.

They ran yet another ball at us and, as I was watching this from my unfamiliar position of fly-half, I thought that if they were [redacted] we would be sunk. From nowhere appeared [redacted] burly youth. He cut [redacted] winger down, got up from the [redacted] and immediately tackled the full-back into touch.

Wing forwards rarely consider such action in a friendly. This was no ordinary wing-forward. This was Jon Hall and I have [redacted] progress over the [redacted] years with keen interest.

He has had appalling luck with injuries and lesser mortals would have been content merely [redacted] play. Not Hall. For him international rugby is a drug and before he retires he [redacted] one [redacted] appear in [redacted] World Cup final. He is one of the few players whose upper body strength is such that he could have easily converted to rugby league.

At Lansdowne Road, in Dublin, Wales take on Ireland, where they have [redacted] good record over the past eight years, with three wins from four games.

Ireland [redacted] always difficult at home [redacted] crowd has [redacted] an integral part of their game. They will need all their support.

Against France in Paris they were woeful and were lucky that it was the opening [redacted] of the tournament. Wales look to have steadied their ship and made some sensible selections. They should win but much will depend on the weather.

Neil Back: Leicester supporters hope he will turn tiger for England at Murrayfield today

Motoring / **Stuart Marshall**

Attempts to halt 'jungle' drivers

The [redacted] chilling: road acci[redacted] the main cause [redacted] accidental death in Britain among all [redacted]ple aged from 15 to 24. One-third of males and [redacted] in [redacted] females who die between those ages are highway casualties.

Male drivers between 17 to 20 are nine times more likely to be killed, and [redacted] times more likely [redacted] have an accident, than middle-aged [redacted] drivers. They are also twice as likely to be killed as [redacted] dri[redacted]

So, [redacted] can [redacted] why insurance premiums [redacted] in [redacted] early-20s, [redacted]cially [redacted] they fancy a GTi-type [redacted]sphere; [redacted] why Ford has just pulled [redacted] plug on [redacted] XR2i and [redacted] models, [redacted] personify [redacted]

Against [redacted] background, I give full marks to the BBC and [redacted] Department [redacted] Transport for undertaking a safer driving initiative. The first of the six-part *Drive* series went out on BBC-1 [redacted] and [redacted] episodes will [redacted] screened [redacted] Friday at 8.50pm [redacted] the next [redacted]

They [redacted] alternative the [redacted] Alexei Sayle, [redacted] pulls motorists up short by exposing bad driving habits. He believes young drivers in particular adopt a jungle approach to driving. "Here we are ... late-20th century *homo sapiens* at the very pinnacle of [redacted] evolutionary tree; yet, the second [redacted] step [redacted] pedal (sic), we become territorial, predatory animals," he says.

Few would quarrel with that; certainly, not I. But [redacted] the *Drive* [redacted] really [redacted] to put [redacted] to those [redacted] most in [redacted] The [redacted] Sayle, [redacted] very funny but [redacted] from youthful Liverpudlian, getting into (and out [redacted] motoring [redacted] wheel [redacted] a 26-year-old Rover [redacted]

[redacted] of [redacted] model [redacted] 18-year-olds, many of them influenced by articles in go-faster magazines that per[redacted] in treating motoring as a sporting activity?

[redacted] he [redacted] to convince them that their attitude toward driving is all [redacted] and make them [redacted] to become caring, responsible motorists? Or will he [redacted] dismissed as [redacted] wrinkly with a set [redacted] antique [redacted] who is out [redacted] touch with life on the roads in 1994?

I watched the first episode, missed the second and aim to see the [redacted] I hope I am wrong and [redacted] Sayle's [redacted] gets across to those most in need of it. But I [redacted] optimistic.

Would it [redacted] better for a TV road safety [redacted] directed [redacted] young drivers [redacted] a young hero of [redacted] prix racing circuit – 28-year-old Damon Hill, for example? Someone like him could put across to [redacted] and [redacted] difference between competitive driving and normal motoring.

In making the point that only [redacted] and exhibitionistic idiots [redacted] the two, he might also make some converts and help to save young lives.

In the third estate

[redacted] ZX [redacted] goes on sale in the UK on March [redacted]

Vauxhall's Astra and Ford's Escort have [redacted] it all their own way in Britain's lower-medium estate car market. [redacted] per cent of sales and the Escort 37.5 per cent. The only other estate to score more than 1,000 sales was – would you believe? – the Lada Riva.

Things are about to change, though. Citroën's ZX estate will go on sale in the UK on March 1, while the Volkswagen Golf and Rover 400 estates are not far behind. There will be three ZX estates. Two are [redacted] models with a 1.4-litre, 75-horsepower petrol [redacted] 1.9-litre, 71hp diesel. The other is an Aura model with [redacted] 92hp, 1.9-litre [redacted]

All [redacted] five-door bodies 8in (20 cm) longer than the ZX hatchbacks which have themselves become Britain's best-selling Citroëns, with more than 75,000 registrations since their launch 30 months ago. Built-in roof-rack [redacted] rails, remote-control central locking and power-operated slide/tilt sun roof and front windows are [redacted] expected [redacted] range from [redacted] than £11,000 for [redacted] petrol Avantage to under £12,750 for the turbo-diesel with power steering. Uniquely, the [redacted] (but [redacted] turbo-diesel) will be available with automatic transmission instead of manual gears [redacted] no extra cost.

The petrol-engined Avantage and turbo-diesel Aura estates I [redacted] rode [redacted] more firmly than their hatchback counterparts because the rear suspension has been up-rated to cope with payloads of more than 1,100lb. (500 kg). But they were just as comfortable, and a small amount of passive rear-wheel steering made them feel as nimble as ever when cornering or lane-changing.

It is easy to hump things aboard a ZX estate because the [redacted] opens to below bumper-top level [redacted] wheel arches intrude very little into the flat-floored load space. A Citroën accessory dog guard does not get in the way of the load space cover and can be folded down when not needed.

Last year, nearly half the British buyers of lower-medium estates chose diesel, which was twice the total for hatchbacks and saloons of similar size and price. Introduction of the ZX estates must lift the figure far higher because, good though the petrol version is, the diesels are the ones to go for.

The 111 mph (178 kph) Aura turbo-diesel is the fastest, has the best acceleration and, at a constant 56 mph (90 kph), is the most frugal (64.2 mpg/4.4 litres per 100 km); you can have your cake [redacted] eat it.

S.M.

Bookshelf / **Teresa McLean**

The ghost runners

***Teresa McLean** wishes cricketers would write their own books*

With England's cricketers embarked on their tour [redacted] the [redacted] Indies, I [redacted] chance to read [redacted] life stories of [redacted] outstanding English batsmen, one, sadly, retired and the other keen [redacted] dominate the headlines by savaging Carib[redacted] bowling.

David Gower's autobiography is available in paperback (*Gower*, updated with a new chapter, Fontana 1993, [redacted] while Robin [redacted] (*Quest for Number One*, [redacted] a hardback.

Alas, both [redacted] produce their books with [redacted] help – or at [redacted] the collusion – of [redacted] "ghost" writer, Gower with Martin Johnson and Smith with John Crace.

The practice [redacted] ghost writing [redacted] not [redacted] than [redacted] century [redacted] W [redacted] deemed himself enough [redacted] national hero [redacted] write with the help of a friend, [redacted] Methuen Brownlee, "who has worked with me [redacted] and thus helped me [redacted] place [redacted] history of cricket before lovers [redacted] Our National Game" (*Cricket*, 1891). This [redacted] Grace [redacted] time [redacted] play [redacted] National Game.

Until recently, most ghosts took their vocation more literally and remained invisible. In 1956, Brian Statham [redacted] helped by a ghost [redacted] write [redacted] *Merry-Go-Round* (Stanley Paul, 15 shillings), [redacted]ing his early [redacted] Lan[redacted] England. But [redacted] is [redacted] acknowledgement [redacted] ghost in the book and Statham cannot now remember who it was.

'The public has become too tolerant of autobiographies written scrappily'

[redacted] the great [redacted] bowler [redacted] "He just sat down on [redacted] sofa with me for a few days and jogged my memory. But I wouldn't allow any funny business because that's not me." Indeed [redacted] ghost's function [redacted] purely mechanical; [redacted] story was Statham's. [redacted] result, the book is [redacted] the [redacted] self-control, revela[redacted] and regret, controversy and [redacted] with which modern ghosts sprinkle their efforts, [redacted] them [redacted] spicy.

We are in an [redacted] of [redacted] literature where journalist ghosts aim to give their books style as well as shape. Gower's publishers [redacted] us that his [redacted] "frank [redacted] outspoken" (just in [redacted] we had been foolish enough [redacted] hope it might [redacted] calm and informative). The added chapter is called "You Must [redacted] ****ing Joking." All the chapters [redacted] joky titles, such as "Laid back – and think [redacted] England" and "A millionaire? That's rich."

[redacted] serious reading [redacted] required [redacted] work out [redacted] book seeks to tell its story chronologically, especially as it [redacted] constantly whizzing [redacted]wards and forwards, picking up references it [redacted] properly. It is hard to [redacted]ber [redacted] far [redacted] story has got.

Gower [redacted] a [redacted]ing points about [redacted] Willey's [redacted] Leicestershire, but they [redacted] Willey being [redacted] Willey, Peter, Willey [redacted] Will in the [redacted] just [redacted] one [redacted] gets [redacted] quick, muddled [redacted] in [redacted] middle of a chapter about England's [redacted] in winter [redacted] and Pakistan's [redacted] of England in summer [redacted].

While [redacted] is not always [redacted] which player, tour, [redacted] nickname "Gower" [redacted] refering, Smith's autobiography [redacted] was [redacted] before last summer's humiliating series against the Australians so, before that, only his ineptitude against Mushtaq [redacted] leg-spin had brought him untoward publicity on [redacted] large scale. He [redacted] methods, particularly practice, [redacted] which [redacted] intends [redacted] improve his technique against spin bowling.

Unlike Gower's book, Smith's [redacted] organised clearly, although subjects which [redacted] crucially but indirectly with [redacted] game – such as [redacted] place [redacted] the [redacted] international cricket – [redacted] on without being followed [redacted] conclusions. Like many modern cricket books, this [redacted] one of comment without complete argument or observation. [redacted] arranged by topic, not time.

Perhaps [redacted] partly because time [redacted] less important in Smith's cricketing life [redacted] it [redacted] Gower's, where it brought constant change [redacted] vicissitude. An opening chapter describes Smith's entry [redacted] first-class cricket, [redacted] a closing chapter his tour of India and [redacted] Lanka in [redacted].

But all the other chapters deal with issues – for example, Confidence, Luck, Motivation – and [redacted] their [redacted] from [redacted] whole of [redacted]. There [redacted] something to [redacted] said [redacted] this system, although it gives little sense [redacted] cricketing development. Nor [redacted] with intensive sport psychology [redacted] sort favoured by Crace: "[redacted] by definition, [redacted] player who feels [redacted] after being ravaged by the [redacted] shrink."

It was a [redacted] to read [redacted] plain [redacted] about Smith's preparation for top-class cricket. [redacted] boys' [redacted] saw how talented his two sons were, he took the splendidly imperial step of setting up nets and hiring a professional as coach to the Smith home in Natal, [redacted] Africa. Robin was [redacted] when [redacted] began serious cricket training, sometimes getting [redacted] work.

The public has become too tolerant of autobiographies written scrappily and [redacted] by increasingly obtrusive ghosts. [redacted] 60 [redacted] Ashley-Cooper (Cricket Highways and Byways, George Allen [redacted] Unwin 1927) a writer and essayist [redacted] English cricket's [redacted] "Whole newspaper columns, [redacted] even [redacted]re books, have borne [redacted] names [redacted] players [redacted] did not themselves write or even inspire a single word."

[redacted] still ignoring this warning – [redacted] our cost.

Illustrations: Lucinda Rogers

Letting them know the secret code

Throughout the world you will encounter [illegible] set of codes: obvious yet obscure, simple but subtle, at dinner, [illegible] the beach, by the pool, the [illegible] of dress that tell the world one is IN or OUT. In a six-part series, FT writers describe the feeling. First: the office

LONDON

Brenda [illegible]

Spurred on by Beau Brummell, with [illegible] passion [illegible] black, white [illegible] and his preference for trousers [illegible] silk stockings, [illegible] invented the [illegible] uniform.

[illegible] so much else the [illegible] dreamed up in [illegible] 19th [illegible] tury, it conquered the world. Unlike [illegible] much else, [illegible] has lasted. With some brave exceptions, such as the arts, [illegible] media and the sunrise industries, British men must still wear dark suits if they expect to be taken seriously in the professional and [illegible] worlds.

Indeed, when [illegible] Californian [illegible] opened a British operation and moved over its top sales team, it discovered that the reason it was doing no business was its employees' Silicon Valley uniform [illegible] jeans, [illegible] T-shirt and unstructured Armani jacket (or beat-up leather bik[illegible] blouson). [illegible] ers shied away and a wardrobe [illegible] was called in.

The uniform [illegible] relaxed, however. Bright [illegible] – [illegible] coloured [illegible] – [illegible] acceptable [illegible] days, [illegible] a chap [illegible] his jacket [illegible] them.

The pinstripe no longer predominates [illegible] in [illegible] City, although [illegible] paler [illegible] suit, the [illegible] likely the wearer [illegible] to [illegible] from [illegible] of the [illegible] professions. In [illegible] of the [illegible] a wide-trousered, shiny-textured suit by any Italian designer [illegible] just too unpleasantly deja-vu. [illegible] Row conservatism had [illegible] pre-Lapsarian, comfort-blanket allure.

Women, [illegible] the office only [illegible] the turn of the century, have had a much [illegible] time of it, [illegible] at first [illegible] of an upper servant, [illegible] keeper or [illegible] governess; [illegible] dark, strictly [illegible] or two-piece [illegible] crisp white [illegible] ton at collar and [illegible] Only [illegible] world war [illegible] in in greater numbers [illegible] more [illegible] The coupons wouldn't run [illegible] appropriate wardrobe.

More recently [illegible] have followed the Word from the US, [illegible] ambitious [illegible] adopted what [illegible] seminal [illegible] engineer, John T. Molloy, ineptly [illegible] 'the [illegible] suit'. It was a [illegible] in all but [illegible] respect and could [illegible] only by [illegible] pussycat [illegible] throat.

Pioneering [illegible] tives, [illegible] whom [illegible] important [illegible] from the [illegible] retaries, [illegible] it with the jacket. They still do. [illegible] the British office the [illegible] with jobs rather than careers [illegible] and leggings [illegible] jeans [illegible] old T-shirt (British receptionists and secre[illegible] are [illegible] cheaply dressed in the world) but, even [illegible] turns its [illegible] on [illegible] and short skirts, most women feel securely competitive only [illegible] suit.

PARIS

Alice Rawsthorn

[illegible] only one absolutely [illegible] the [illegible] in Paris, and no self-respecting French businessman, or woman, [illegible] dream [illegible] being seen [illegible] it. It is, of course, the strip of [illegible] silk [illegible] into [illegible] lapel which [illegible] world [illegible] contribution to French culture, politics or industry has [illegible] deemed important enough for the government to award a légion d'honneur.

Red silk aside, [illegible] only [illegible] for [illegible] French executive [illegible] spruceness; scuffed [illegible] and dowdy [illegible] simply will not [illegible] An intense interest in clothes might still be seen as frivolous in the corporate corridors of London or New York, but in Paris it is a [illegible] of self-respect.

But though [illegible] general stan[illegible] dress may be smarter [illegible] French men, [illegible] formal, with snappier styles and brighter colours. Even a bastion of the establishment like Edouard Balladur, the prime minister, livens up his suits with pink shirts and red socks. The younger generation plump for Giorgio Armani linens or for Commes des Garçons' [illegible]

The female equivalent to Mr Balladur [illegible] Simone Veil, the social [illegible] minister, [illegible] is rarely without [illegible] her perfectly preserved [illegible]

Whatever her [illegible] the professional Parisienne will almost certainly sport a pair of flat Prada pumps – so practical for those purposeful prowls along the corridors of power – and one of Hermès business-like Birkin bags, anything big enough to carry her A4 files.

NEW YORK

[illegible] Harverson

Although what you wear [illegible] the office in [illegible] ous business [illegible] is almost everything [illegible] in this workaholic city), Gotham's execu[illegible] are not [illegible]

True, [illegible] office garb [illegible] exist, but generally only in the [illegible] professions such [illegible] fashion, advertising, entertainment, publishing and the media. In [illegible] three [illegible] that dominate New York working [illegible] – banking, stockbroking and [illegible] law – conservative [illegible] still rules.

For men, [illegible] means [illegible] two-piece [illegible] white [illegible] blue shirts, suspenders (for holding trousers, not stockings, up, although you [illegible] know), [illegible] shoes. The pattern [illegible] in sum[illegible] when [illegible] with beige/cream trousers and [illegible] leather loafers are favoured by those seeking the full "preppy" look.

Ties remain the quintessen[illegible] symbol [illegible] male individuality, and [illegible] "aren't I daring with my bright patterned Mickey Mouse silk [illegible]" bri[illegible] alive and well. Flashy neckwear [illegible] about the only trend from [illegible] 1980s that [illegible] not gone the [illegible] of [illegible] pads and company Porsches.

Women have to be more con[illegible] than men in their [illegible] Again dark suits [illegible] everywhere, but in recent years more fashionably-cut [illegible] have begun appearing on [illegible] fits can [illegible] (physically and metaphorically) in summer, [illegible] York woman will still wear hose [illegible] the office.

[illegible] one [illegible] that [illegible] New [illegible] from overseas [illegible] people wear on Friday. For a growing number [illegible] companies in the metropolis and across America, Friday [illegible] designated "dress-down day". This means employees are allowed to wear casual clothes – sports jackets, cardigans, polo shirts, slacks, [illegible] The [illegible] a lot of [illegible] by Perry Como lookalikes.

Dress-down [illegible] has [illegible] such a fixture [illegible] even [illegible] Wall [illegible] finest have experimented with it, [illegible] successfully. It seems that [illegible] something [illegible] nified, un-American almost, about the sight [illegible] trading billions [illegible] dollars in currencies while wearing a Hawaiian shirt, baggy shorts [illegible] deck shoes without [illegible]

TOKYO

Michiyo Nakamoto

Tokyo's prices are among the [illegible] in the world, and the prices [illegible] clothes are no [illegible] tion. A few [illegible] that would [illegible] have stopped [illegible] city's business men [illegible] women from indulging [illegible] for fine clothes, even if the deadly morning rush hour [illegible] the Y200,000 (£1,120) Armani suit or Y100,000 Gucci bag got thoroughly [illegible] up on [illegible] work.

For Tokyo's regimented office workers, dressing in designer clothes has [illegible] one [illegible] means of expressing [illegible] individuality in the [illegible] charac[illegible] buildings they [illegible]

[illegible] in Japan's conformist [illegible] society [illegible] that luxury is strictly regulated by a [illegible] that [illegible] conservative, [illegible] the least, by [illegible] The [illegible] to dressing [illegible] work in Japan is to be discreet. Bold [illegible] and adventurous tailoring [illegible] discouraged and businessmen generally restrict [illegible] navy [illegible] with equally [illegible] ties.

[illegible] towards the [illegible] and simple, exemplified in the ubiquitous [illegible] with ribbon or frills. [illegible] many [illegible] clerk, a single pearl around [illegible] are [illegible] only [illegible] from [illegible] monotony [illegible] grey, navy and [illegible] uniforms that are [illegible] common.

There [illegible] of course, excep[illegible] to the general [illegible] and some younger men have [illegible] more [illegible] in [illegible] of clothes. This summer, [illegible] in [illegible] ful jackets [illegible] yellow, ivory [illegible] pale green [illegible] among [illegible] surprises spotted [illegible] Tokyo's subways.

[illegible] braver [illegible] meanwhile, might [illegible] a risk with tight-fitting, body-con[illegible] miniskirts, but [illegible] planning [illegible] stay with the [illegible] for long.

Another change that [illegible] creeping into Tokyo [illegible] days [illegible] increasing acceptance of discounted [illegible] recession bites, the news is that mens' [illegible] at one-tenth [illegible] price of [illegible] Armani [illegible] selling very well indeed.

FRANKFURT

Chris Parkes

The preponderance [illegible] hefty game [illegible] Frankfurt lunch [illegible] clearly [illegible] it [illegible] still winter. But [illegible] per[illegible] for grilled [illegible] salad. This, with [illegible] determination [illegible] large areas of their tanned chests, demonstrates [illegible] reluc[illegible] part with warmer days.

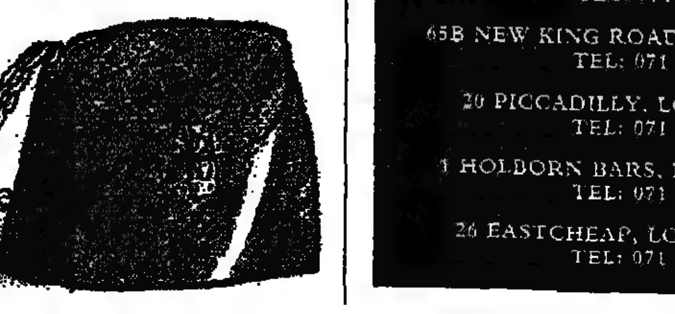
[illegible] of lacy white [illegible] in the upper [illegible] deep [illegible] lightweight [illegible] however, [illegible] chill is making [illegible] felt.

Lovats, murky blues, browns and greenery-yellery checks and tweeds now shroud [illegible] lunching in [illegible] around [illegible] city's Fressgasse (stuffing alley to be literal).

But [illegible] cut [illegible] day [illegible] is as [illegible] and as straight as the predominantly [illegible] from [illegible] surrounding [illegible] trict. They [illegible] all year round, in [illegible] pinstripes festooned with [illegible] buttons.

The Hugo [illegible] – [illegible] tured [illegible] suits which [illegible] be [illegible] by an engineer – [illegible] firm [illegible] But [illegible] is still [illegible] of devilry in [illegible] detail. While Frankfurt [illegible] be breaking [illegible] long-standing daytime love affair with [illegible] pads, [illegible] is no shortage [illegible] garish jewellery [illegible] accessories.

Beneath [illegible] tables, the diversity [illegible] expensive footwear reminds [illegible] that [illegible] British style [illegible] shop has yet [illegible] arrive in Germany. And beneath the chins [illegible] men dangle reminders [illegible] where in [illegible] a sense [illegible] frivolous. Brash, [illegible] – penguin and teddy [illegible] seem popular – remain the norm. The colour [illegible] still [illegible] found, but you have [illegible] increasingly hard [illegible] spot it. The conjunction of recession and [illegible] opening of the don't-flaunt-it epoch [illegible] left [illegible] mark in the Fressgasse.

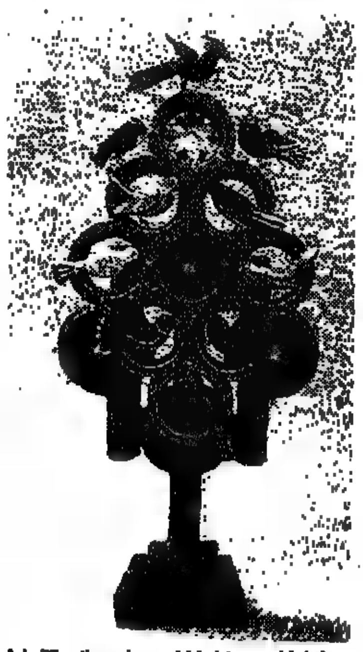


HOW TO SPEND IT

It's lovely money for old rope

Lucia van der Post finds [illegible] treasures in the world of scrap art

Back in the 1980s when saving-the-whale and [illegible] rain forests were [illegible] concerns, eco-[illegible] took [illegible] forms; one of [illegible] leitmotifs was worry about the [illegible] problem [illegible]. Eco-chic may be [illegible] talked about [illegible] days, but [illegible] designers still turn [illegible] the rubbish dump for inspiration. Partly they [illegible] so from a [illegible] waste, [illegible] that the [illegible] are [illegible] infinite, and partly they [illegible] intrigued by the ran[illegible] "found" materials. [illegible] driftwood, no chunk [illegible] metal, no shard [illegible] broken glass [illegible] exactly like another, [illegible] designers working with them are often inspired to produce strangely [illegible] and certainly original



A brilliantly coloured bird tree which is made entirely from the sort of polystyrene plant trays that every [illegible] centre [illegible] the [illegible] profusion. £200, made to order by Frances Baruch, 18 Clifton Hill, London NW8. Tel. 071-624-3511.

pieces of art.

Some use [illegible] material of almost no inherent worth – Guy Taplin's ducks, for instance, are usually made from driftwood found along the East Anglian shores. The artist Frances Baruch uses polystyrene, discarded from supermarkets, garden centres and domestic products, to create weird and wonderful sculptures. Jane Atfield uses recycled industrial felts as well as little plastic chips formed from thrown away plastic bottles to make her striking-looking chairs.

Deborah Thomas and Patrice Butler uses fragments of glass to create sumptuous chandeliers. Julienne Dolphin-Wilding uses driftwood, old wood and old cable and rape to create chairs that are half-utilitarian domestic object, half giant sculpture.

Taking worn-out, dilapidated pieces and making [illegible] newly beautiful [illegible] not new. [illegible] who scrub up and redecorate an old and battered chest are conserving and recycling. Those who have the energy and the enterprise can learn to do this for themselves. Others can buy refurbished pieces ready-made.

Scrap Scrap of Endurance Works, High Street, Coalport, Telford TF8 7HX (tel: 0952-586754) will take your old and dilapidated pieces and, by decorating them, turn them into fresh-looking objects. Prices are beguilingly vague – they charge £30 for small pieces, £50 for medium ones and £70 for large ones (exclusive of VAT but inclusive of delivery).

Cath Kidson, of 8 Clarendon Cross, London W11, on the other hand, takes junk-shop finds and sells them already smartened up – putting, say, a zinc top on a battered chest, repainting them, changing the handles and so on.

Tom Dixon and Mark Brazier-Jones were the fore-runners of what might be called the brutalist school of [illegible] design. In their early work, they specialised in taking old

A room setting by David Gill, featuring a chandelier by Patrice Butler. "Lustre Rouge" made from a bronze frame, crystal vases and glass drops. The sofa is by Bonetti & Garouste, the blue table by Donald Judd, the sculpture by Richard Synder. All to order from David Gill, 60 Fulham Road, London SW3 6HH.

metal and using it to create works of great strength, originality and high [illegible].

[illegible] on [illegible] bought [illegible] but both have retained a [illegible] of the aesthetic of [illegible] brutalist [illegible] the [illegible] and [illegible] school seemed to produce. Tom Dixon changed [illegible] working [illegible] "apart from anything else it was difficult to produce, say, four matching dining-room chairs which customers seemed to want, when you are depending on waste materials. Then there are no quality scrap-pies around any more. I gave up using scrap-metal when the best of them were driven out of London by the property [illegible] one day, when I find [illegible] good dealer, I'll go back to it."

His furniture can be seen at his [illegible] gallery, Space, 28 All Saints Road, London W11 which will open on April 1st. Also in the gallery will be Jane Atfield's extraordinary chairs and shelving.

Two designers, Patrice Butler and Deborah Thomas, could be said to be the Steptoe and Son of the lighting world. Both [illegible] magical [illegible], what Patrice Butler calls "jewels for houses." [illegible] chandeliers have [illegible] icons in certain circles. The Duke of Westminster, Princess Gloria von Thurn und Taxis as well as Mick Jagger all own one and he is now

[illegible] chair, by Julienne Dolphin-Wilding, £500. Made from a telegraph pole, rope and old fittings from boat jumble. Available from the designer, 34, Cecil Rhodes House, Godlington Street, London NW11UG. Tel. 071-380-0950. Two pieces by her are currently on show at Joseph, 26, Sloane Street, London W1.

busy working in collaboration with the grand [illegible] French [illegible] Baccarat. He [illegible] chandeliers [illegible] beads, Perrier bottles, [illegible] glass, almost anything that [illegible] fancy. They [illegible] not cheap, selling [illegible] somewhere [illegible] £750 and £3,000 through the [illegible] Gill gallery, 60 Fulham Road, London SW3 (tel: 071-589-5946) [illegible] always has some examples on [illegible].

The [illegible] Gill gallery also always has a selection of silent butlers or dressing-room stands made from chrome and "found" bits and [illegible] which have the spare [illegible]gance of a sculpture. They range in price from £275 to £500.

[illegible] Thomas's [illegible] made from shards of glass from old ornaments (from carboot and jumbles sales) as well as milk and other everyday bottles (she bashes them up with a hammer) range in price from about £1,000, and they can be seen at [illegible] and Variations, 231, [illegible] Grove, London W11. (Tel. 071-727-5531).

[illegible] Baruch makes [illegible] pretence of using [illegible] polystyrene [illegible] practical or functional end – [illegible] simply intrigued by their shapes and possibilities and tries to alter the original "found" material as little as possible. The [illegible] in the combinations she uses and the colours she paints them. Most of them are strong, geometric, almost Dalek-like creatures, exuding immense presence. Her bird trees (photographed here) are perhaps the most accessible of her pieces and echo the brilliantly-coloured naif Mexican art. An exhibition of her work called Package Deal will be at the FHAB Gallery, 106 Boundary Road, London NW8 0RG from March 1st - 26th, and prices will range from £75 to £200.

FOOD AND DRINK

Cookery/**Philippa Davenport**

A pride of pies

Pies, like roasts, [illegible] pride [illegible]. From medieval [illegible] to the end of the 18th century, no [illegible] would [illegible] complete without [illegible] complement [illegible] them.

Spices [illegible] were [illegible] flavour pies, [illegible] and dried [illegible] were much in [illegible] in [illegible] centuries. The pastry was [illegible] type, the work [illegible] a monumental mason [illegible] speak: [illegible] walls designed [illegible] protect the solidly-packed filling [illegible] its gravy [illegible] air [illegible] might taint it. The [illegible] deliberately [illegible] made robust enough [illegible] along jolting roads.

In the beginning, not all pies were intended for eating. [illegible] confected them purely [illegible] entertainment, [illegible] "conceits" and "sub[illegible]" were displayed. [illegible] late [illegible] century, though, the pastry-maker's art began [illegible] wane as pastry gave way [illegible] potato.

Great meat or [illegible] pies ("treasure [illegible] of [illegible] choicest titbits," [illegible] Elisabeth Ayrton called [illegible] in *The Cookery of England*), elaborate "coffyns," raised crusts, [illegible] layers of [illegible] flakiest puff pastry and the [illegible] sumptuous fillings slipped from [illegible] repertoire [illegible] all but [illegible] grand- [illegible] simple and infinitely homely cottage and shepherd's pies with minced meat, and fish pies consisting of nothing more than over-boiled cod under a blanket of mashed potato.

Now, though, many cooks are making fish pies that display some hint of former glory, and last summer I had some success with some fish pies of my own. [illegible] filled with salmon, [illegible] olives, chopped coriander or [illegible] leafed parsley and chives, bound lightly [illegible] lemon and fish stock [illegible] and topped with [illegible] pastry gilded with [illegible] yolk and cream.

Although [illegible] pastry was shop-bought, I enlivened [illegible] by rolling it out extra-thin and sandwiching a criss-cross of anchovy fillets between two sheets of it. The anchovy dissolved to provide a salty savour. An elegant dish for fair-weather eating.

In raw February, though, substantial offerings are more timely and a classic steak and kidney pudding is my favourite choice for entertaining foreigners to Sunday lunch. It is less obvious than a roast and easier for the cook. No basting to do and no last-minute gravy to make. In fact everything can be done ahead as suet crust puddings benefit from re-heating.

The only thing I like better than a suet crust pudding is a suet crust pie, or what the Irish call a ciste. Essentially, this is a stew given a suet crust lid. It could hardly be easier to produce. No special pastry-making skills are required and [illegible] rolling pin, either. The dough can simply be patted into a round and laid over the meat when it is part-cooked and the gravy is [illegible]soned to your liking. Delicious.

LEMON [illegible] LAMB PIE WITH TURMERIC
(serves [illegible])

[illegible] magnificently here: [illegible] crust, a supremely British achievement, and the winning north African combination of sheep meat, earthy yellow turmeric and the tang of lemon. Slow cooking produces a gravy of rich savour and some of it is soaked up by the pastry.

Spring lamb would be wasted here. Mutton, hogget or mature lamb is what is needed and neck fillet of lamb from New Zealand makes a good choice. The lemon should be firm and juicy, grown organically or unwaxed as the peel as well as the flesh is used. If the weather is freakishly cold or appetites are gargantuan, make a thicker layer of suet crust. Use 8oz of flour instead of 6oz, and 4oz of suet instead of 3oz.

For the filling: 1¼lb neck fillet of lamb; 1 lemon; ½lb onion, roughly chopped; 2 garlic cloves, finely chopped; 1 teaspoon turmeric; a smidgin of olive oil; 1½ teaspoons flour; 12 fl oz water.

For the crust: 6oz self-raising flour; a scant ½ teaspoon of baking powder; 3oz suet; a seasoning of salt and pepper; 2 tablespoons chopped coriander leaves; 3 fl oz cold water to bind.

Method: Grate the lemon zest finely and cut the white pith from the flesh. Discard the pith and chop the flesh into small pieces.

Cut the lamb into bite-size cubes and brown them in

[illegible] in a little [illegible] oil. (I [illegible] in [illegible] flame-proof [illegible] in which the pie can [illegible] and brought to table). [illegible] the browned lamb.

Stir the [illegible] and garlic into the fat remaining in the casserole and let them take colour. Sprinkle on the turmeric and flour, then add the lemon zest and flesh and a little salt and pepper. Pour on the water and bring to simmering point, stirring. [illegible] the lamb [illegible] the casserole, [illegible] tightly, and cook gently for 45 minutes.

Towards the end of this time, make the [illegible]. Mix the dry ingredients together, stir in the water to bind, and finish mixing the dough by hand. Turn on to a floured work surface and pat it into a disc that will just fit inside the casserole.

Lay the suet crust directly on top of the filling and cover the casserole again, slipping a piece of buttered foil (buttered [illegible]wn) between the pot and its lid. The foil will ensure a good fit and prevent the evaporation of too much gravy during cooking. The butter will prevent the suet crust sticking to the lid if it rises dramatically as it cooks.

Continue simmering very gently indeed for 1-1¼ hours until the meat is tender, the flavours of the filling are fused, and the pastry is puffed up and light. Keep the flame very low and/or use a heat retarder to avoid any risk of the bottom of the pie catching and burning. Spinach steamed until it is just wilted goes very well with this dish.

Appetisers

The FT/Transmedia card, together with the offer of a 1,000 free meals', has proved extremely popular with FT readers. More than 250 restaurants have joined, £500,000 in cash has been advanced to the restaurant industry and, in just three weeks, 11,000 [illegible] to FT [illegible] as far afield as California, [illegible] Seychelles, Switzerland, Andorra and Japan.

This [illegible] mailbag [illegible] brought [illegible] from Mario Dix, [illegible] the restaurant guide [illegible] and Gozo, asking [illegible] move [illegible] Mediterranean.

Two FT/Transmedia restaurants [illegible] just won [illegible] – Fischer's [illegible] Hall, Derbyshire [illegible] and Lords [illegible] the Manor, Upper Slaughter, [illegible] and, this week, a further 20 restaurants, mainly in London, but also [illegible]der's, Chester, the Sherlock Holmes [illegible] in the [illegible]toria and [illegible] hotel, Manchester and the Pink [illegible]nium, Melbourn, Cambridgeshire, have joined. [illegible] full [illegible] on [illegible] or fax 071-930-2868.

Wine/**Edmund Penning-Rowsell**

Cheap? It has to be champagne

The [illegible] in Champagne that began in 1990 [illegible] slowly beginning to ease. Total sales last year are expected to exceed 220m bottles, compared with 214m in 1992, but still well down on the record 249m in 1989.

But that is not the whole story. The increase is essentially restricted to cheap champagnes, largely sold in French supermarkets, which account for between 40 and 50 per cent of all champagnes there. Even the leading grande [illegible] in volume, [illegible] & Chandon, which sold 2m more [illegible], had a downturn in revenue.

The [illegible] marques are still suffering from excessively high grape prices, supplemented by premiums for the finer grapes of the '89s and '90s that currently form the basis of their non-vintage blends. While the growers may be accused of greed, the merchants may at least be partly excused since they feared insufficient grapes, refused to sign a contract for a diminished proportion of grapes, and made individual contracts at much higher prices before the vintage and recognition [illegible] growing [illegible].

French supermarkets, followed by those abroad, [illegible] advantage [illegible] unsold [illegible], particularly from co-ops and [illegible] engaged in the lower-price market, to buy and sell at little more than cost ([illegible] 2 per cent margin was not unknown) to attract customers.

Prices in 1992 were down to FFr40-FFr45 a bottle at the premier *prix*, as the French trade calls it. This means champagne is on the market at little more than the minimum legal age of one year in bottle. But there is a limit to the amount of bottles than can be sold at cost and the basic ruling price is now around FFr50-FFr55.

The top 1993 vintage price of grapes [illegible] kilo came down from FFr24 to FFr20.5 and the lowest from [illegible] FFr16. The whole crop was sold and a record percentage of 55 per cent of grapes was bought by the [illegible]. This was [illegible] by a three-year [illegible]ment limiting the maximum permitted yield to [illegible] kilos per [illegible] – [illegible] equivalent [illegible] 190m bottles of cham[illegible]. A further [illegible] kilos was blocked. [illegible] cost [illegible] Cham[illegible] now [illegible] and a finished bottle, including [illegible] charges for keeping [illegible] year, [illegible].

Grape prices [illegible] now [illegible] one-third [illegible] than [illegible] their height in 1990. [illegible] we [illegible] to [illegible] No, [illegible] price [illegible] this fall. [illegible] are [illegible] a five-year [illegible] than [illegible]mal three-year one and [illegible]

ing [illegible] variations, [illegible] FFr5 a year in [illegible] hold [illegible] in [illegible]. There are no *en primeur* [illegible]nues [illegible] Champagne.

Nevertheless, [illegible] now [illegible] should [illegible] drinking higher quality champagnes at all lev[illegible]. [illegible] third pressing (the [illegible] – a reduction that will encourage growers [illegible] on their best, ripest [illegible]. This is accompanied by a blocked [illegible] appellation Cham[illegible]. So wine still [illegible] made [illegible] champagne until [illegible]. This [illegible] only mean better quality.

Yet the [illegible] may be called cheap champagne and the grande marques will diminish but [illegible] close, and the [illegible] recapture [illegible] dominant position.

They [illegible] this and, apart from cutting [illegible] and costs, they [illegible] reforming [illegible] *Syndi[illegible] Marques*, founded in [illegible] six members [illegible] 28 will resign, including Mercier, Canard Duchêne, [illegible] Prieur, while the rest will [illegible] buy [illegible] proportion [illegible] from [illegible] and premiers crus vineyards, they will [illegible] their wines only in [illegible] own premises, rather than sub-contracting, and will guarantee the ageing of around three years [illegible] for [illegible] champagnes. All this will take some time, and [illegible] may be a year or two [illegible] the more distinguished [illegible] are [illegible] the woods.

[illegible] vintage was not, [illegible] reported elsewhere, [illegible] failure. Although [illegible] fine vintage predicted was spoiled by heavy rain in September, thick [illegible] summer and [illegible] temperatures meant no rot. The 1993 [illegible], although not a vintage [illegible], will fall very well into the non-vintage blend that represents [illegible] 90 per [illegible] the industry's output. [illegible] Michel Ducellier, head [illegible] Ayala and president [illegible] merchant's syndicate, said: "We [illegible] not [illegible] in the Independent Republic [illegible] Champagne." Its prospects must [illegible] world [illegible] trends, but better wines and stable prices should [illegible] the path [illegible] recovery.

PROPERTY

Yes, you can live on the Riviera

Despite being a playground for the rich, ordinary people [redacted] find affordable homes there, says Gerald Cadogan

Seventy [redacted] winter was the high season [redacted] the [redacted] Once [redacted] railway opened along the coast, it [redacted] only 31 hours from London [redacted] Nice. [redacted] in the [redacted] *Night*, [redacted] Fitzgerald [redacted] about a hotel [redacted] Cannes which (in [redacted] after [redacted] English [redacted] north in April."

Later in the [redacted] took [redacted] life [redacted] the same. [redacted] now must always emphasise [redacted] possibilities for sunbathing.

Villas [redacted] gobbled up [redacted] Medi-[redacted] hillsides and swimming pools have [redacted] from [redacted] rock. [redacted] submerged the [redacted] fishing villages as the centre [redacted] the region [redacted] tilted from the inland towns such as Aix, Avignon and Nimes [redacted] the [redacted]

[redacted] anything left in [redacted] rich [redacted] hedonism that ordinary people can [redacted] Yes, if you [redacted] hard. But it might [redacted] to [redacted] an apartment, or [redacted] Toulouse.

The Romans, [redacted] Provence its name – it was in the *provincia* (province) [redacted] Narbonensis – must have found [redacted] of Italy [redacted] rocks, prickly scrub, thyme, [redacted] and olive [redacted] (olives in France [redacted] only in [redacted] coastal zone and up the Rhone valley).

The [redacted] have thought [redacted] Many [redacted] earlier, they [redacted] the [redacted] many contributions to [redacted] - making [redacted] in [redacted]

Hardly anything [redacted] survives of [redacted] Greek tradition. [redacted] Arles, Orange and Nimes [redacted] remains [redacted] Avignon [redacted] a [redacted] for [redacted] in the Middle Ages. Nature-lovers can [redacted] plateau of [redacted] (which [redacted] bauxite, mined nearby) [redacted] of [redacted] Camargue, the [redacted] at the mouth of the Rhône where migrating flamingoes rest.

For art fanciers, galleries abound [redacted] Impressionists; [redacted] Ste-Victoire, dominating the [redacted] motorway, is immediately familiar from Cezanne's paintings. Cuisine is strong on garlic, tomatoes and fish.

Sarah Francis, of Sifex, says it is difficult in Provence to find a house of character for less than FFr2m (about £226,000), even though prices have come down around 30-40 per cent in local terms since 1988/89. On the other hand, the franc stays strong. But with France expected to come out of recession in about a year, Knight Frank & Rutley's Patrick Dring feels this could be an excellent time to buy.

Bargains are few, however, and chances are best in new developments where you might pick up the last apartment in the block at a good price, or with an extra like the garage thrown in. "There is no harm making an offer. In a quiet market, you might be lucky," says Hilary Katz, of Azur Internationale in Cannes.

For FFr1.1m, she offers a ground floor flat in Cannes near the Old Port, with a swimming pool in the gardens. For FFr2.35m, there is a top floor flat in a development which also has two tennis courts. Outside Antibes, Sifex is selling a [redacted] with sea [redacted] for FFr1.5m; [redacted] Taylor offers two, both on the top floor, for FFr2.1m or [redacted]

Villas on offer start at FFr1.45m (down from FFr1.65m, perhaps because it does not have a pool) at Mougins, the cobbled village near [redacted] and [redacted] International). Ten minutes' [redacted] there, Azur is selling a *bastide* (farmhouse), [redacted] lacking [redacted] pool, for FFr2.7m. At Roquefort les Pins, [redacted] has [redacted] pool [redacted] garden (olives and figs included) for [redacted]

For FFr18m, [redacted] Beauhavre, a lovely [redacted] looking [redacted] across the bay [redacted] St-Tropez to [redacted] Rutley or Hugo Skillington) and La Porte des Iles at [redacted] (Aylesford). Cheaper (from KFR) [redacted] at Grimaud [redacted] FFr11m and, inland [redacted] hill village [redacted] Villecroze, [redacted] beautifully-restored farmhouse [redacted] La Ferrage [redacted] for FFr6m.

[redacted] costly [redacted] Villa Mabasque [redacted] Paul [redacted] (Hamptons or John Taylor [redacted] Paul). [redacted] price includes [redacted] 1957 [redacted] Royce – not, however, an ideal car [redacted] steep, [redacted]

La Bergerie [redacted] Antonin-du-Var, another old inland village, [redacted] (G.A.K. Williamson). Alternatively, [redacted] third [redacted] FFr2.3m through a British company. This [redacted] sense, [redacted] spend [redacted] than four months [redacted] at their property – yet they [redacted] for 12 months' mainte[redacted] To help out with [redacted] the house and its guest-house [redacted] up to [redacted] people.

The same agent offers [redacted] village [redacted] in [redacted] Christol, [redacted] and Montpellier, for [redacted]

Inland, in [redacted] Luberon valley [redacted] of Aix, [redacted] House [redacted] property ready for [redacted]tion in [redacted] Roussillon [redacted] FFr1.96m, [redacted] modern houses [redacted] Lacoste for FFr 1.1m or 2.5m.

At the top end of the scale, FFr4.5m will [redacted] the wing of [redacted] medieval castle, needing work, [redacted] FFr1.5m. [redacted] FFr8m buys a magnificent [redacted]

[redacted] Management, Coldstone's [redacted] company, will look [redacted] everything – including [redacted] Partner Christian Adams [redacted] the [redacted] more [redacted] September. No large developments spoil [redacted] ambience of [redacted] lovely part of France, and the wine is good.

The [redacted] buys, however, [redacted] further away in [redacted] of France using [redacted] airports. Sifex [redacted] selling [redacted] about 16 hectares, including [redacted] hectare (five-acre) vineyard, for FFr1.65m, [redacted] river Lot for [redacted] house and [redacted] pool, too.

■ *Further information in France: Azur International, Cannes (92 98 01 02); [redacted] Gordes (90 76 [redacted] 37); Hugo Skillington, Grimaud (94 43 69 79); John Taylor, [redacted] 34 44 68) and St Paul de Vence [redacted]*

Information in [redacted] Aylesford (071-351-2383); Hamptons (071-493-8222); Knight Frank & Rutley (071-629 8171); Sifex (071-384-1200); G.A.K. Williamson, Alresford [redacted]

For FFr1.65m, a restored farmhouse near Montauban with about 16 hectares

For FFr18m, La Porte des Iles at Mougins, a picturesque cobbled village near Cannes and Antibes

For FFr2.8m, a villa with heated pool and garden at Roquefort les Pins

For FFr1.43m, a house near Gramat in the Lot department.The agent is Sifex

A life of piracy and pillage on the ocean wave

Rough, unruly and enchanting. Nicholas Woodsworth on the Sulu Sea gipsies

Like most people on an ocean cruise, I enjoy starting the day with a peaceful and leisurely breakfast. I did not mind leaving the *Lady Ruth* as it off-loaded cargo at the port of Jolo, and wandering into town [illegible] find something [illegible] I [illegible] only too happy to escape for a while.

I did not mind, either, that there were no eggs and bacon for breakfast. In this militantly Moslem part of the Philippines, bacon goes against the grain. I am as happy with cassava cakes as the next man.

Nor, when four young soldiers sat beside me, did I object to their company, but I do mind when fellow diners put their M-16 assault rifles on the table. When military street [illegible] feel the [illegible] one man at the restaurant door while the others are eating, I get twitchy.

[illegible] hundred miles away, in the Indonesian capital of Jakarta, representatives [illegible] Philippine [illegible] very morning sitting down to peace negotiations with the Moro National Liberation Front, the Moslem rebel group that has kept the southern Philippines in a state of low-level war for more than 20 years. But here, in the Sulu archipelago, a stronghold of the MNLF, no one seemed to know or care.

Perhaps it [illegible] because locals become a bit cynical when ideas of peace and order are mentioned: for more than four centuries, the Sulus have been the most lawless islands in the eastern seas.

The Spanish, who colonised and Christianised the Philippines in the 1500s, were unable to impose their rule on the Moslem pirates who terrorised the Sulu Sea between Mindanao island and Borneo. Not even the Americans, who took over the colony from the Spanish at the turn of this century, [illegible] gain a foothold on this 200-mile-long string of islands.

Until now, efforts to bring stability and order had failed and, ever since boarding the *Lady Ruth*, my fellow passengers – between noisy bouts of snacking on [illegible] boiled crab – had provided endless chronicles of violence for my entertainment.

"Was that June or July the government platoon was ambushed and beheaded near Jolo?" one passenger would ask to my left, cracking a crab leg between his teeth.

"And what about that Spanish priest kidnapped on Basilan? Didn't he escape?" another would say to my right, spitting shell on to the deck.

On and on it went: attacks on foolhardy [illegible] trying to peddle bibles; rampages by "lost commands" – troops in [illegible] areas who have turned and taken the law in their own hands; entire villages held up by bandit gangs; depredations by [illegible] rebel group, the communist New People's Army; on-going vendettas between neighbouring islands; piracy and pillage on the high seas. The MNLF was the least of it.

Even the *Lady Ruth*, it seemed, merited protection. Aboard was a military [illegible] who strolled about cradling their weapons. There were also hard-looking young men in mufti and dark glasses who wore .38s stuck in their belts. God knows who they were; I was not about to ask.

Far more disconcerting than all these guns, though, was the *Lady Ruth* itself. It was precisely as the song has it – no lady, but a tramp. I could make out from the painted-over lettering on its stern that, in a previous life, it had been the *Kashima Maru*, out of Nagasaki. Worn out and abandoned by the [illegible], renamed, its bows crumpled by a collision, its engines weary, today it limps around the Sulus with 500 passengers, 37 crew and 200 tonnes of cargo.

It would not satisfy more discerning cruise enthusiasts. It has no cabins, just long rows of canvas cots 5ft long and 18in wide. My feet stuck out over the ship's railing and my arms flopped over the cots touching my own on either side. The fluorescent lights that burned all night on the roof overhead were one obstacle to sleep; worse was the rooster tethered to the railing three cots away. Like all roosters he woke early and, by 4.30 on the second morning, I was ready to make my own contribution to murder and mayhem in the Sulus.

But when there is no sleep, there is always conversation. The pair of [illegible] women sleeping to one side of me looked like two dears on a shopping spree and, in a way, they [illegible] They [illegible] professional smugglers, they proudly told me. They [illegible] going to Sitangkai, [illegible] last port in the Sulu chain; from there it was just a four-hour ride by speed-boat to Sabah, in Borneo, where they would buy gold to bring back and sell.

[illegible] they not [illegible] of being caught, I asked. "Not at all," one smiled, comfortingly. "Naval and customs patrols are all paid off."

What about pirates?

"Yes, they *are* a little more trouble," said the other. It was as if we were discussing nothing more sinister than avoiding bores at cocktail parties. "You just have to choose a boat fast enough to out-run them."

The hours passed. One steamy port [illegible] call followed another through odd hours of darkness and light. Like the rest of the passengers on the *Lady Ruth*, I fell into a tropical heat-induced stupor. When we arrived at Sitangkai, I did not even realise it. I thought we were still far out [illegible] sea. Much to my confusion, so we were.

Sitangkai is not an island at all but a town of 10,000 people perched on stilts 8ft over the water of a giant coral reef. The *Lady Ruth* had to dock two miles away in deep water at [illegible] wharf [illegible] to nothing; with brightly-coloured parasols held up against the sun, we buzzed over the turquoise sea towards the town in motorised dug-out canoes.

Sitangkai's central thoroughfare might be 6ft deep in water but it gets as congested as any main street ashore. Canoes, sail-boats, outriggers, outboards – everything cruises the channels of downtown Sitangkai, from naked little boys in 4ft punts to mean-looking, forward-raked smuggling boats that can out-run anything.

I was slightly nervous as I wandered around on the raised wooden [illegible] linking shops and houses, schools and mosques. With long hair, tank-tops and bandannas tied Rambo-style, some of these smugglers looked as mean as their boats. I was fast attracting a crowd. "Milikani Milikani!" children shouted, pointing. To them, every white face was American. Presumably, every white face was also rich.

Was [illegible] as rough [illegible] unruly as the other towns of the Sulu [illegible] Was I an easy picking that had drifted in on the current? I was not. Within an hour, I was sitting comfortably on a split-bamboo platform eating sea mantis and seaweed salad while warm salt water slopped gently below.

Like many inhabitants of Sitangkai, my host, Hadji Yusef Malabong, is a Badjao – a sea gipsy. The most pacific, and poorest, of communities in the Sulus, the Badjaos spend their entire lives on the [illegible]. Some try smuggling but, generally, get pushed out by tougher tribes. Others fish or collect sea cucumbers, the repellent-looking marine slugs so prized by Chinese epicures. [illegible], however, are underwater farmers. They grow agar-agar, the glutinous [illegible] extracts are used in everything from [illegible] ice cream.

It took a few days to get used to life with Hadji's family. I am not especially shy, but life with [illegible] in a four-room house of paper-thin partitions has its problems. Bathing meant crouching on the platform beside the [illegible] sluicing jugs [illegible] my head. The lavatory [illegible] a curtain surrounding a hole [illegible] through bamboo decking, and best used on an outgoing tide.

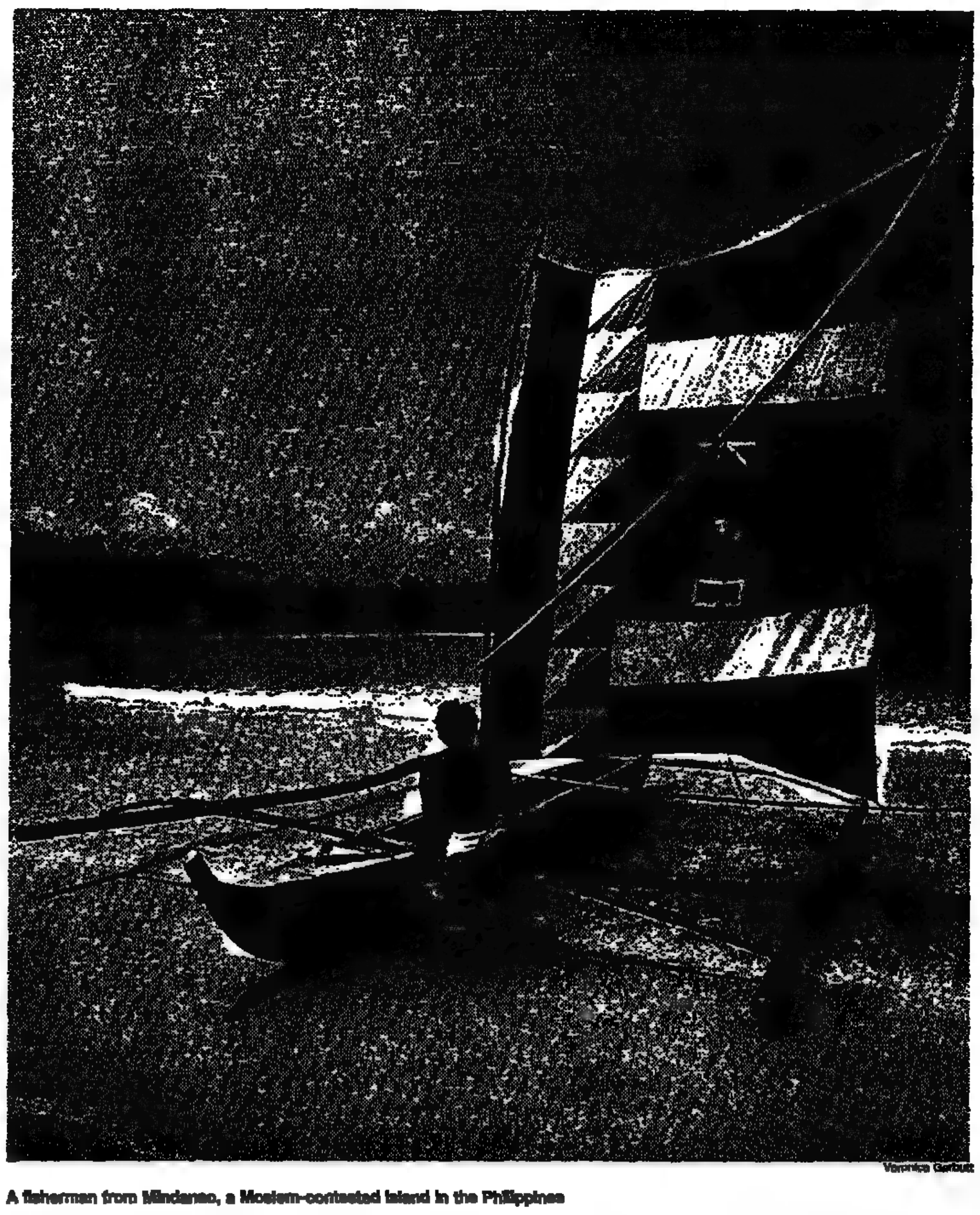
But I enjoyed it all tremendously – everything from watching [illegible] Badjaos collect their bright [illegible] harvest in [illegible] agar-agar fields [illegible] strange, gyrating, gong-and-cymbal dances held [illegible] the moon.

[illegible] favourite [illegible] were expeditions about the reef with Idris, [illegible] Over the [illegible] we would shoot towards tiny, stilt-borne hamlets marooned on a vast, liquid plain. Here, far even from the relative civilisation of Sitangkai, schools and electricity, hospitals and plumbing, cars and [illegible] land, were alien elements.

I [illegible] people whose hair was burned as blond by the sea and sun as their skin was burned black. I met people who had never set foot on a pavement but [illegible] daring leaps from house to house, like marine monkeys. Just getting [illegible] these places was exotic. We floated under huge skies of drifting cloud. [illegible] lazy, slow-drifting boats with triangular sails of crimson and mauve. I might have been on Mars, or on drugs, or both.

I was enchanted. It came to an end only when, a [illegible] days later, the *Lady* [illegible] Sitangkai again.

There were the same tiny cots, the same smelly cargoes, the same men with guns. But the news was good. The MNLF had agreed to yet another cease-fire. The government was prepared to negotiate peace one more time. And my two smuggling friends, now [illegible] their way home, had enjoyed a most profitable trip.



Veronica Garbutt

A fisherman from Mindanao, a Moslem-contested island in the Philippines

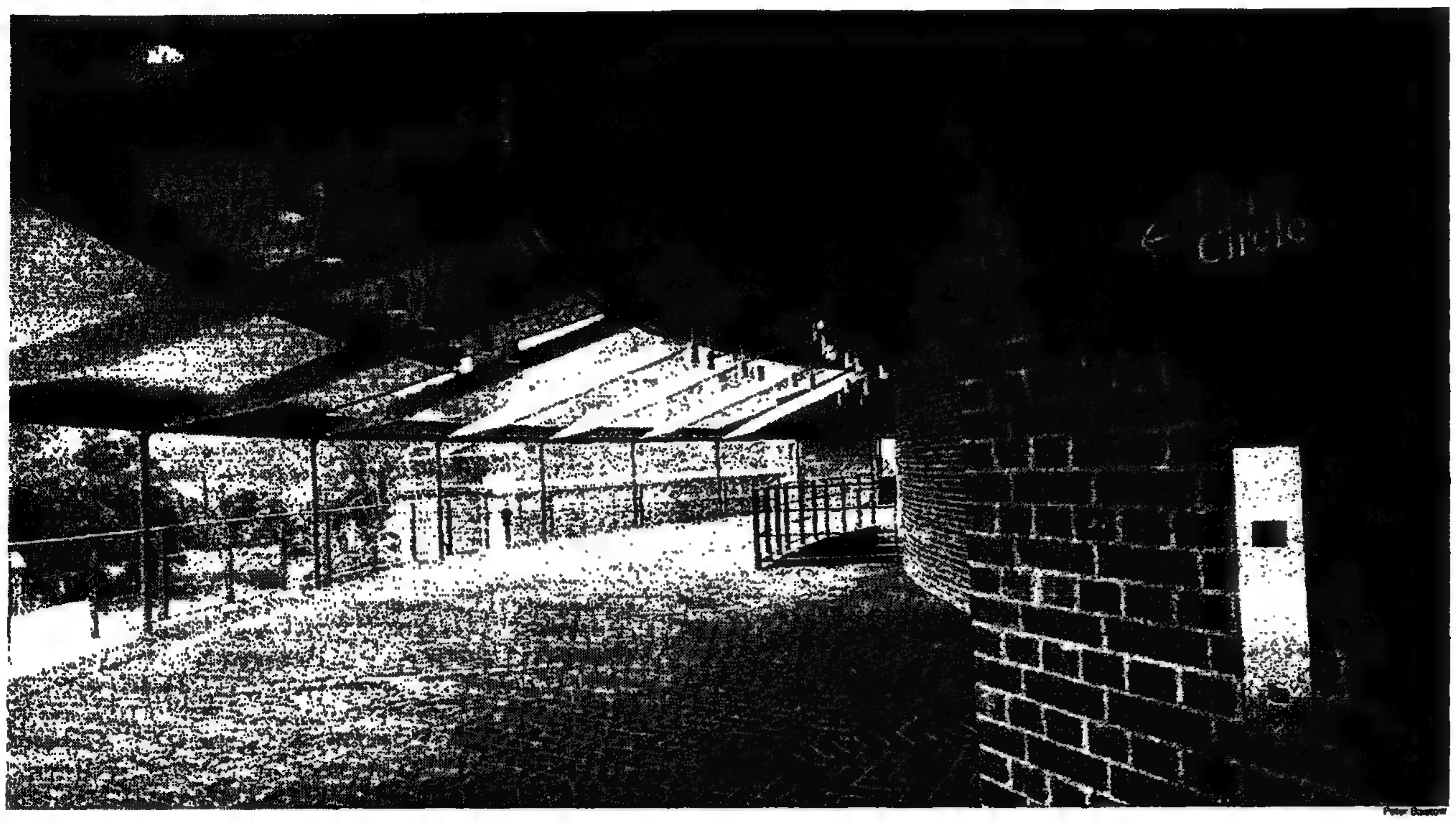
■ *Nicholas Woodsworth flew [illegible] Manila with British Airways, which visits the Philippines twice a week at a Pex return fare of £865 and full economy fare of £1,328. In Manila, he stayed at the Mandarin Oriental Hotel (tel: 632-816 3601, fax: 632-817 [illegible]*

Not all the Philippines is as wild as the Sulus and the Moslem-con[illegible] island of Mindanao. The Visaya group of islands welcomes holiday-makers to sea-side resorts that are not only safe but as appealing and economic as any in south-east Asia and the Pacific. Information on holidays and accommodation can be obtained in London from the [illegible] Tourist [illegible] 17 Albemarle St, W1X 7HB, tel: 071-499 5443.

ARTS

As Glyndebourne celebrates the completion of its [redacted] auditorium, Barcelona mourns the charred remains of its burnt out opera house

The doors widen on a Sussex idyll



No longer just [redacted] musical picnic for the privileged. The outside covered walkways, which give the air of a small Spanish bullring, offer the larger Glyndebourne audience sensible mingling space whatever the weather

*With 50 per cent more seats, **Antony Thorncroft** finds the interior of the new Glyndebourne theatre rather like a cosy bear pit*

Sir George Christie, the chairman of Glyndebourne, has rarely been portrayed as Robin Hood, robbing the rich to help the poor. More often he is criticised for creating the most elitist opera festival in the land, [redacted] musical picnic for [redacted] privileged. Yet as Glyndebourne prepares to open its new auditorium on May 28 with a performance of Mozart's *Le nozze di Figaro*, the opera with [redacted] Sir George's [redacted] his private *divertissement* 60 years ago to the day, there is the will to widen the doors of this Sussex idyll.

The increase in the size of the theatre, from 830 to 1200 seats, with room for another 42 standing, makes it possible [redacted] Glyndebourne [redacted] more patrons. But it has also changed its pricing policy for the 1994 Festival to attract the less affluent. The top price seats now cost £100, as against £90 last [redacted] but there will also be on [redacted] in [redacted] to £10 standing spaces.

"In [redacted] past" [redacted] George, "around 10-15 per cent [redacted] the capacity was [redacted] had been taken care of. Now I reckon over 20 per cent of the seats will go to the general public". And, of [redacted] are more seats available. This switch has been paid [redacted] by the rich, [redacted] cially Glyndebourne's 230 corporate members who [redacted] gave up to [redacted] the [redacted] of the new auditorium to guarantee the privilege of buying seats.

Sir George [redacted] always [redacted] his distance from his corporate [redacted] They were essential to keep Glyndebourne, which receives no subsidy for its festival, alive. But he is sensitive to criticism that the performances [redacted] just an excuse for boardroom junketings. No company will be able to buy more than 120 tickets [redacted] season at the new Glyndebourne and while, in the past, up to [redacted] might [redacted] of corporate parties, in the future they will make up little more than a quarter.

The other misconception about Glyndebourne [redacted] productions [redacted] and frothy, Mozart between meals. [redacted] would be an odd festival without Mozart, and this year, as well as *Figaro*, there is *Don Giovanni*. But this is a [redacted] production, [redacted] by the unstuffy [redacted] is also a new production of Tchaikovsky's *Yevgeny Onyegin*, and [redacted] revivals are both 20th century operas, Stravinsky's *The Rake's Progress* and Britten's *Peter Grimes*.

This [redacted] good mix of [redacted] and challenging, [redacted] help [redacted] the £1.5m still needed, but hardly classic [redacted] Glyndebourne's very real commitment [redacted] commissioning [redacted], invariably box office suicide, comes in the autumn when it presents the première of Harrison [redacted] *The Second Mrs Kong* before taking it on tour, and into the 1995 Festival.

But what of the new building? Is a trip to Glyndebourne still an event? [redacted] first sighting is worrying: it seems as if some giant metallic beetle has descended upon the familiar Eliz[redacted] manor house. But Glynde[redacted] folk, the 6,000 members [redacted] get first bite at tickets, will soon have their doubts resolved. The fly tower, clad in grey lead and towering obtrusively [redacted] the sensibly [redacted] red brick [redacted] the auditorium, is the grit in the oyster. Glyndebourne remains as delightfully illusionary as ever.

[redacted] investment (only [redacted] budget) [redacted] handsomely. [redacted] previous theatre [redacted] claustrophobic, [redacted] and utilitarian. Its only appeal [redacted] familiarity. [redacted] as [redacted] it has stepped out of a [redacted] forest, gleaming [redacted] old pine everywhere, [redacted] with coverings [redacted] unobtrusive slate grey.

The interior may resemble [redacted] less modern concert halls, but its four tiers provide [redacted] the action: the distance from the back wall to the stage has been shortened by three metres. It is rather like [redacted] bear pit. The outside ambulatories offer sensible mingling space and give the air of a smallish Spanish [redacted]

The lawns, and most of the formal gardens, were spared the re-development. Already new courtyards have been planted with flowers in readiness for the summer. The aspects that have been lost are the irritating, (or charming), [redacted] inconvenient, (or quaint), those utilitarian [redacted] and crannies which physically linked the Christie's family home to the auditorium. Now the Christies are detached again. The atmosphere [redacted] Glyndebourne used to suggest Society crammed together for an exclusive rit[redacted] now it is more like a [redacted] outing to the opera.

Glyndebourne [redacted] house and the repertoire, [redacted] ensemble works, will not change. Still [redacted] Wagner [redacted] little [redacted] But general director Anthony [redacted] Jones plans a five year cycle of more Handel, more Rossini, starting with productions by [redacted] never seen before in the UK.

Many wondered why [redacted] George Christie put himself to so much hassle, [redacted] much expense when the old formula seemed to tick over quite nicely. He [redacted] that Glyndebourne [redacted] change, [redacted] the longer the transformation was delayed, the more expensive it would [redacted] His timing was impeccable: [redacted] the recession and then built in a buyers market.

The new auditorium, with 50 [redacted] cent more seats, enables Glyndebourne to go some way towards shedding its image of exclusivity. It has speeded up membership for a few of [redacted] 6,600 [redacted] waiting list – although [redacted] you put your [redacted] now, at [redacted] cost of £50, it could still be 30 years before you get in. [redacted] raises the revenue by around 30 per cent, an important factor when [redacted] to [redacted] Glyndebourne finds it hard to attract sponsors. There has also [redacted] great improvement in back stage facilities for singers. But really [redacted] George [redacted] give no [redacted] his [redacted] "Glyndebourne [redacted] a private [redacted] Nothing [redacted] that."

Arguments rage over the ashes

The strolling crowds that pack Barcelona's Las Ramblas [redacted] weekends will today throng in even greater numbers and gather halfway along the boisterous boulevard around the gutted remains of the Gran Teatre del Liceu opera house.

In the bars and taverns on and off Las Ramblas, arguments will develop. There will be two broad camps in [redacted] with each other: the "Liceu should stay where [redacted] is and be faithfully [redacted] brigade and its opponents, who argue that the opera house should be moved elsewhere and [redacted] redesigned.

The arguments have been rising in pitch and tone, repeated endlessly in the Spanish media, ever since [redacted] man's blow torch ignited a curtain on the Liceu's stage on Monday morning and set the building ablaze.

The fire burnt out the stage, the backstage and the auditorium, [redacted] tiny stalls area and row upon row of perpendicularly stacked boxes. The Liceu was a deep and gorgeously decorated cylinder but when the flames were finally put out, what remained was a [redacted] b[redacted] Only a blackened, roofless shell was left peering out on to Las [redacted]

Barcelona justifiably considered its 150-year old opera house to be the equal of La Scala and Covent [redacted] the Liceu was burned down in 1861, 17 years after it first opened, the city rebuilt it within a year and ensured that it was even more fabulously ornate than before.

Montserrat Caballé, who started her career in the Liceu and whose brother and agent Carlos is believed to have an important role in arranging the opera house schedule, is a stalwart traditionalist. The opera house has to stay in the "heart of [redacted] because, she says, it is a "symbol" of her home city. And what is more, "we have the duty to give our children an inheritence to feel proud about, just as we received it from our [redacted]

The architect Oscar Tusquets, a celebrity in a city that has always put its local architects on a pedestal, belongs to the second camp. "[redacted] happening to us in Barcelona?" [redacted] taunts the old guard. "Have we lost all confidence about doing something new?" In Gaudí's city these are strong words.

When it was first built in the [redacted] century, Barcelona's opera house was designed to be the flashy cultural citadel of a high bourgeoisie that was coining it in with its cotton looms and assorted sweat shops. The plutocrats paid fortunes to buy their own boxes, which came complete with sitting rooms, dining rooms and private [redacted]

The problem for these opera patrons, who handed down their boxes from father to son, or sold them for sums equivalent to the price of an average family home, was that as the city developed, the Liceu ended up slap in the steamy centre of bohemian and working class [redacted]

It has always been the target for [redacted] certain amount of hostility. Towards the end of the last century an anarchist tossed [redacted] bomb into the Liceu's stalls and in the twilight of the Franco years, when the city was again in ferment, lefties would regularly jeer at first night audiences as they turned up in their jewels and tails.

Supporters of the architect Tusquets would like the Liceu of the 21st century to be daringly innovative; "courageous" is the word Tusquets uses. They seek [redacted] mix of the [redacted] La [redacted] and the Sydney Opera House which would be set gleamingly atop the Montjuic hill where the 1992 Olympics were staged. And they decidedly want [redacted] "peo[redacted] opera house" since it will be public money which will be used to relaunch the Liceu (more than Pta9bn, £42m, according to initial estimates).

The likelihood, however, is that the Caballé camp will win the battle. The soprano gathered her supporters around her yesterday inside the Liceu's charred hull to give a necessarily open-air performance.

Caballé sang "El Cant dels ocells", the Song of the birds, the hauntingly sentimental ballad of fellow Catalan Pau [redacted] It was [redacted] magical start to her campaign to have the Liceu rise phoenix-like out of its ashes.

Tom Burns

Drama when the veneer cracks

Alastair Macaulay reviews plays by Alan Ayckbourn and one of his protégés, Tim Firth

Alan Ayckbourn [redacted] long been more than [redacted] playwright; he [redacted] an institution. The Stephen Joseph Theatre-in-the-[redacted] in Scarborough, which [redacted] directs, [redacted] plays by other authors, ancient and modern, as well [redacted] by himself. It was there, under [redacted] Ayckbourn aegis, that Tim Firth's *Neville's Island* was [redacted] performed in [redacted] just received [redacted] important new production at the Nottingham Playhouse. [redacted] in Scarborough, [redacted] has just presented his [redacted] oeuvre, *Communicating* [redacted]

Curiously, [redacted] is Firth's play [redacted] the more Ayckbournian of the two; [redacted] more funny *and* more serious. *Neville's* [redacted] a comedy in which madness, insecurity, malice, [redacted] cruelty breed, violently and rapidly, amid terminally middle-class characters: four men [redacted] an Outward Bound training course in [redacted] Lake District. [redacted] for [redacted] days on an island, their civi[redacted] soon crack; and, [redacted] way or another, so do they.

Firth's achievement [redacted] in how he keeps [redacted] increasingly ghastly [redacted] funny. [redacted] the end, characters have come [redacted] murder, suicide, and utter despair; they [redacted] like [redacted] and yet there is still a funny side. [redacted] Roy, [redacted] most haunted character, [redacted] barmy, all [redacted] can do is [redacted] the first line [redacted] *Oklahoma*, desperately, [redacted] and [redacted] ("There's [redacted] bright golden [redacted] in [redacted] meadow!"); and [redacted] yells [redacted] him "Don't you know anything from [redacted] *Dolly!*?"

And it is Roy – this most crazed, absurd, [redacted] unhappy of the four men – who gives the play its most moving sense of beauty and finer feeling. From a perch halfway up a tree, he addresses God about the thrill of seeing a gyrfalcon for the first time. You laugh at the absurdity of this; [redacted] only at first. Finally, [redacted] share in his rapture and gratitude. James Fleet's performance is very fine; [redacted] plays anything [redacted] a [redacted] and makes Roy's thoughts, whether [redacted] lyrical, quietly luminous [redacted]

Tony Slattery [redacted] the [redacted] tral role, Gordon: who [redacted] big [redacted] sarcasm, blame, [redacted] Slattery [redacted] naturally funny man, and [redacted] audience [redacted] help taking [redacted] him. Gordon [redacted] make [redacted] laugh [redacted] other characters, and [redacted] the [redacted] situation; but it is Gordon w[redacted] heartless [redacted] Roy and Angus off the deep end. An interesting oxymoron; yet Slattery's performance [redacted] a slight weakness in the play – that [redacted] is actually [redacted] char[redacted] how desperately [redacted] bourgeois [redacted] is, but we [redacted] really sense [redacted] system. (And [redacted] keeps hammering [redacted] Gordon's jibes [redacted] if *every* [redacted] in [redacted])

Near [redacted] end, [redacted] bitterly exclaims how grateful he is not to be as negative and fundamentally miserable as Gordon. At the time, this makes a big impact. But until then Neville and Angus have been too wimpish to be true. (When Gordon, for minutes on end, castigates Roy and drives him bonkers, they stand by with barely a whimper of protest. You can feel how Firth wants to draw *Roy's* madness, Gordon's nastiness, and the play itself, for another half-hour.) [redacted] this is likely to trouble any observer [redacted] Nottingham, for Jeff Rawle invests the mild and feckless Neville with such an extraordinary wealth of convincing detail that he becomes [redacted] passive, well-meaning, blinking heart of the play.

The play [redacted] by Jer[redacted] and [redacted] probably his [redacted] (as a director) to [redacted] Only [redacted] such [redacted] slightly stagey way Angus and [redacted] are allowed [redacted] make [redacted] speeches facing straight out into the auditorium, [redacted] us that [redacted] only two years ago. [redacted] wooded-island-shore [redacted] is both poetic and realistic. I saw the play on [redacted] Monday [redacted] the Playhouse was impressively thronged. [redacted] was [redacted] laughing right up to the bitter end: quite a feat.

Ayckbourn [redacted] frequently made [redacted] erful comedy [redacted] of mental cruelty and nervous breakdown. After *Neville's Island*, [redacted] borough expecting [redacted] master-class in how to [redacted]

[redacted] you know? In *Communicating Doors*, Ayckbourn [redacted] experimenting [redacted] altogether. [redacted] characters [redacted] him, unusual. [redacted] them are V.I.P. class, [redacted] staying in [redacted] major London [redacted] End [redacted] where [redacted] one [redacted] a prostitute – an expensive dominatrix [redacted] in leather. (This play, by the [redacted] replaces the one Ayckbourn had announced, *Private Fears in Public Places*: which was to have [redacted] about [redacted] changes wrought [redacted] marital relationship by a [redacted] airport.)

Ayckbourn loves [redacted] develop [redacted] virtuosity [redacted] craftsman. In [redacted] *of* [redacted] *Life* (another 1992 Scarborough premiere, [redacted] in [redacted] End [redacted] his play [redacted] in time, spanning a period [redacted] years. [redacted] this [redacted] further. When [redacted] this new play step through the "communicating [redacted]" [redacted] the title, they find themselves stepping either 20 years forward or backward: [redacted] that the play jumps from 2014 to 1994 to 1974. Can people [redacted] in time [redacted] rewrite the [redacted] (like Superman stopping [redacted] world and setting [redacted] into reverse)? Ayckbourn keeps [redacted] in [redacted] pense about this until well into Act Two.

To my surprise, I found that Ayckbourn of *Communicating Doors* reminded me of the vir[redacted] baroque playwrights who delighted in [redacted] play-within-the-play and [redacted] world-within-[redacted] (Shakespeare in *A Mid*[redacted] *Night's* [redacted] and elsewhere, Corneille in [redacted] *Illusion*, Lope [redacted] Vega in [redacted] *Great Pretenders*) – [redacted] Ayckbourn shuttles not only [redacted] but between [redacted] Are [redacted] watching [redacted] time travellers? Or a thriller about high-placed men using women and then trying to kill them? Or [redacted] farce about who will get caught in [redacted] room? Ayckbourn keeps juggling.

B[redacted] you cannot really get involved in the world of the [redacted] Reece, his sinister pal Julian, and [redacted] and [redacted] Ruella and Jessica. [redacted] play's clevernesses [redacted] designed mainly to dis[redacted] from the emotional thinness [redacted] its core. The more you [redacted] its structural dexterity, [redacted] basic frivolity.

Ayckbourn has some fun, of [redacted] about [redacted] 2014, with talk of prostitutes being state-controlled ("I'm public, [redacted] private"), [redacted] fad [redacted] Virtual Sex ("with a [redacted] in [redacted] hand and [redacted] joy-stick in [redacted] other"), [redacted] of English [redacted] war ("Do you [redacted] this truce will last?" "There'll be no more trouble from Lewisham. [redacted] just Croydon being difficult now."). Yet, though [redacted] are good jokes throughout the play, it [redacted] disappointing to real[redacted] how few of them were organic. (The [redacted] such, hilarious in context, occurs as Ruella and Poupay, in 1994, try [redacted] plan retrieving a document from [redacted] delivering [redacted] to 1974. "It's a kind of relay," sug[redacted] Ruella. "Yeah," [redacted] Poupay. "I can't wait. 'To-be-or-not-to-be': [redacted] it on.")

Ayckbourn himself [redacted] directed. Things are held together by the [redacted] and [redacted] of Liz Crowther [redacted] Ruella, and (after [redacted] shallow start) Adie Allen as Poupay, the national-[redacted] dominatrix. The [redacted] per[redacted] thin as [redacted] virtually see-through. And, [redacted] you [redacted] see through, all you [redacted] is just another [redacted] Mr A's [redacted] plays: amazing, more [redacted] less, but only casually absorbing.

Neville's [redacted] at the Nottingham Playhouse until February 19. *Communicating Doors* is in repertory at the Stephen Joseph Theatre-in-the-Round, Scarborough, until February 26. Ayckbourn's [redacted] play [redacted] expected to [redacted] its premiere in April

BOOKS

Own goals for Auntie

Ray Snoddy tunes in to the backbiting at the BBC

There must be days when John Birt, the controversial director-general of the BBC, wishes he had stayed at London Weekend Television where he could happily have become a millionaire, like many other LWT executives, and escaped years of headlines and vilification.

There are quite a few at the BBC who also wish he had stayed in commercial television instead of coming to "modernise" a key British institution. Michael Grade and Michael Checkland must be among them. It was Grade who recommended John Birt as the man to unite BBC news and current affairs, before falling foul of Birt's ambition, and Checkland who brought him into the corporation, only to be humiliated by Birt's main patron Marmaduke Hussey, the BBC chairman.

Horrie, half of the team that "monstered" Sun editor Kelvin Mackenzie in an earlier book, *Stick it up your Punter*, here backed up by broadcasting writer Steve Clarke, weaves a compelling and entertaining tale from the latter-day "scandals" of the BBC. They range from the sacking of director-general Alastair Milne to the row over John Birt's freelance employment status for six years as deputy and, for a time, as director-general.

And then there were the Fuzzy Monsters of the title – a reference to the marvellous moment when Checkland finally flipped and publicly attacked Hussey and

FUZZY MONSTERS: FEAR AND LOATHING AT THE BBC
By Chris Horrie and Steve Clarke
Heinemann £16.99, 315 pages

the BBC governors for being too old and unrepresentative.

He would rather work, Checkland said, with people who did not think FM stood for fuzzy monsters.

More important than the farcical rows are the reports on life in the Birt Broadcasting Corporation and the doings and sayings of the great strategic planner.

Did Birt really turn up in Manchester and, after a brief tour, denounce the BBC headquarters there as old fashioned, dirty, a total waste of time and deserving of closure, even though £8m had just been spent on refurbishing the main studio?

Did he really tell members of a resources committee, when challenged on his views, that you cannot change your goal, "and that is the first rule of effective management. You must not change your vision?"

Luckily, for the sake of viewers and listeners, a great deal of the Birtist vision has been quietly modified where it has not been jettisoned.

There is much less talk these days of going for the "higher ground" and aiming for "distinctiveness" in programme-making and there is much more emphasis on providing all licence payers with the service they might actually want to watch.

Even Panorama, long stifled by the Birtian analytical approach, has started telling stories again.

Unfortunately, in an echo of the past, the BBC is now trying to make Radio 1 more "distinctive" with almost immediate results. The network has lost more than two million listeners according to the latest research – listeners who are unlikely to return.

Horrie and Clarke, in what will undoubtedly be the first of a number of Birt and the Beeb books, do justice to the "fear and loathing" in the organisation and the feeling of many BBC employees that they were being subjected to a politically-inspired coup.

The book gets to grips with a number of important questions rather less well. How efficient was the old BBC? How is it going to compete in the increasingly difficult broadcasting environment? If reform was needed could it really have happened without pain and redundancy? Was there a better approach than John Birt's bureaucratic methods?

In the end, Birt's reputation will depend much more on the answers to such questions than on *Fuzzy Monsters* or the fear and loathing he has undoubtedly provoked.

Camera Press

Marguerite Duras: determined neither to forget nor forgive

Fiction / Shena Mackay

Strange obsessions

A massive oeuvre and an extraordinary, sometimes heroic life have earned Marguerite Duras, now 80, a place in the Hall of Fame alongside Colette, Piaf, Violette Leduc and Simone de Beauvoir. Duras's revelation that her novel *L'Amant*, 1985, set in what is now Vietnam, about the affair between a schoolgirl and a wealthy Chinese man, was entirely autobiographical brought notoriety as well as the Prix Goncourt, the Ritz Hemingway Award and world-wide sales.

Yann Andréa Steiner, her latest novel, translated by Barbara Bray, is addressed to her lover and companion for the past 14 years. She wrote about "the sexual labyrinth" of their relationship in *Blue Eyes, Black Hair*; here she recalls in elegaic mood the summer of 1980 when the young homosexual Breton turned up at her apartment on the Normandy coast, and stayed.

Yann is almost as obsessed with her writing as is Duras herself, and needs to know what became of Theodora Kats, an English Jewish girl stranded in wartime Germany, whose story Duras began and could not finish. In the course of this non-linear, nouveau romanesque narrative Duras offers several endings but cannot find a resolution.

Theodora, with her white skin and white dresses, marooned at a wayside railway station, waiting for the train that will take her to freedom or to Auschwitz, has become symbolic of all women and all Jews. Duras, whose first husband almost died in a concentration camp and who worked for the Resistance, with François Mitterrand, has the right to take this stance. Her determination neither to forget nor forgive is evinced as she observes the residents of a summer camp for deprived children, and imagines them as survivors of the Holocaust.

Her technique, as she focuses on a teenage girl counsellor and a little boy, now in longshot, now in close-up, is cinematic, reminiscent of her work as film-maker and screenplay writer.

The girl consoles the child, with an unfortunately mawkish tale of magic realism, and as their love grows they might be aspects of Duras the storyteller, and Yann the listener. Throughout the narrative there is much reported weeping and laughter, which excludes rather than provokes sympathetic tears in the reader. Paradoxically, while the novel is sometimes confusing, its prose has the intense clarity of the coastal light that illuminates its characters.

A.L. Kennedy, born in 1965, is at the beginning of a career which has brought prizes already and the dubious distinction of inclusion in the *soi disant* Best of Young British Novelists list. *Now That You're Back* is her second collection of stories and shows signs of having been cobbled together to keep her in the public eye.

Too many of the pieces here are arch makeweights without humour or psychological truth, but three or four stories demonstrate what she can do when she engages with real people and situations. It is tempting to wonder if "Like a City in the Sea", about a painter married to a much older former ballet dancer, and the film crew which invades their lives, was inspired by a television documentary on the dancer Lynn Seymour. Kennedy's dancer is dying of an unspecified disease, and the dialogue between husband and wife, who avoid the unspeakable by lapsing into mock-cockney and calling each other "Mum" and "Dad", has an embarrassing tenderness.

YANN ANDREA STEINER
by Marguerite Duras
Hodder & Stoughton £12.99, 115 pages

NOW THAT YOU'RE BACK
by A.L. Kennedy
Jonathan Cape Paperback Original £8.99, 248 pages

"Warming My Hands And Telling Lies" is a warning to writers against giving readings in schools. A callow young reporter tracks down a woman writer with whom he fell in love as a schoolboy. Monagh Cairns has abandoned writing and lives in seclusion. Naturally she disappoints the youth, and he turns on her; but, determined to relaunch her career, he leaves with an unpublished manuscript in his pocket.

A fairly routine account of a little Scottish prostitute in London, "Friday Payday", is redeemed by its heartbreaking ending when the girl's hard veneer is cracked by a Tourist Board poster for an adman's Scotland, and a similar raw pain informs the title story. Two brothers try, literally and mentally, to accommodate a third who is convalescing after a spell in a drying-out clinic.

The awkwardness of their shared caravan holiday as they blunder around with good intentions and bleak optimism in too small a space is portrayed with a delicate realism that ought to direct Kennedy away from fantasy.

A pioneer of passion

Jackie Wullschlager reviews a new biography of Thomas Hardy

In the summer of 1856, Thomas Hardy watched the hanging of Martha Brown, a hawker's wife who had killed her husband in a jealous fit. "I remember what a fine figure she showed against the sky as she hung in the misty rain, and how the tight black silk gown set off her shape as she wheeled half round and back," Hardy wrote. He was just 16, and all his life sex and death were to remain inextricably linked in his mind.

Courting his first wife Emma, he saw her standing by a garden gate as if against a cross, and had a premonition that in marriage he would crucify her. Decades later, in his masterpiece *Tess of the d'Urbervilles*, his most popular and poetic heroine is hanged for stabbing her lover. His blood drip drip drips through the floor into the room below as did that of a soldier who committed suicide in a Dartmoor inn shortly before Hardy began the novel.

How does the poetic imagination work? What sparks the creative impulse? Modest, formal, reserved, Hardy never looked like the author of his sensual melodramatic fictions. Henry James sneered at him as "the good little Thomas Hardy," and his own *Life*, written in the third person as if by his wife and published after his death, is a model of discretion.

Previous biographers have marked impotence and a sense of social inferiority as keynotes to his character. Here we have a new picture of Hardy as an energetic, passionate pioneer who revolutionised Victorian literature, introducing psychological exactitude to poetry and sexual expression into novels for the first time. There are flaws in this biography, but Seymour-Smith's relation of the life to the work is illuminating.

Hardy was born in 1840 to a domineering mother of peasant origins, but literary aspirations (she gave him Dryden for his eighth birthday). He became the village school ma'am's pet, and loved the "thrilling frou-frou of her four gray silk flounces" – the start of a lifelong romance with femininity. Behind all his work was his famous roving eye; he would fall in love with fleeting images – a woman on a steamer, a girl on horseback – and transform them into richly detailed characters.

Seymour-Smith makes a good case for his wife Emma, the powerful and difficult first Mrs Hardy, as stimulating muse rather than the crazy harridan of legend. She is the heroine of early novels such as *A Pair of Blue Eyes*, and subject of over 100 poems written the year she died. "It is difficult," Hardy wrote in *Far from the Madding Crowd*, "for a woman to define her feelings in language which is chiefly made by men to express theirs." Few male writers have treated women more sensitively; behind Hardy's tenderness is some of Emma's voice and mind.

In 1885 the couple settled at Max Gate, their hideous gloomy home in Dorchester; his secretary called the house "the solidification in brick of Hardy's ... mood of helplessness and the ugliness in life." While Hardy needed to live at the heart of his fictional Wessex – his Casterbridge is Dorchester – Emma hated parochial Dorset. Childlessness drove the pair further apart, and Seymour-Smith suggests that the wife sale which opens *The Mayor of Casterbridge* reflects Hardy's sense that he had sacrificed his wife to his literary ambition.

HARDY
by Martin Seymour-Smith
Bloomsbury £25, 886 pages

"Not to be born is best," Hardy said. His great late novels are bleak, cruel but seething with forbidden sexuality. On both scores, he clashed with the establishment. An early review complained that *Tess*, story of a dairymaid's doomed love affairs, had "no gleam of sunshine anywhere, except for some hours spent with cows". *Jude the Obscure* (1896) was billed as Jude the Obscene; one reader burnt the book and posted the ashes to the author. Hardy lived until 1928, but gave up writing novels.

Seymour-Smith is eloquent on Hardy as a writer ahead of his time, who paid a price for outraging his public. It is a fair view, but too trenchantly held. Firstly, the price was not so severe – *Tess*, despite or because of the critics, was a scandalous 1890s bestseller which made Hardy very rich. Secondly, and more seriously, Seymour-Smith writes as though Hardy is *still* attacked on all fronts, and he explodes every few pages into venomous tirades against contemporaries, recent biographers, academics who treat Hardy as a "misguided peasant".

This is absurd. Hardy does not need defending. Why drown a portrait of the man in a deluge of aggression and justification? Seymour-Smith is a fine literary critic, but his book is unbalanced, long-winded, unscholarly and unedited: no footnotes, shoddy index, Emma still snipingly alive at the end of the chapter called Emma's Death. And it is wildly speculative: "Unlike other biographers, I believe Florence Dugdale and Tom were lovers ... they became so at Strafford House at the time of her first visit there. I do not think, however, that at Strafford House it went as far as full intercourse. That would first have happened in April 1910 ..."

Hardy ended life writing poetry, reluctantly married (to his mistress Florence) for a second time, famous but retiring. Virginia Woolf, in an anecdote not told here, recalled making the pilgrimage to Max Gate and finding Hardy silent on matters literary.

"I could only ask him which of his books he would have chosen if, like me, he had to choose one to read in a train. I had taken *The Mayor of Casterbridge*. There was a pause and then 'Did it hold your interest'?" he asked. In a few lines, Woolf gives a snapshot of Hardy the man which Seymour-Smith does not achieve in 900 pages.

A life of foreign affairs

J.D.F. Jones on the skill and camaraderie of correspondents abroad

The trade of Foreign Correspondent has always sounded dashing and dangerous and romantic – as sometimes it is; certainly it used to be – but it also has its surprising aspects. For instance, you would expect it to be intensely competitive: yes, it is, but there can be no profession in which there is so intense a camaraderie, so much mutual support, such pride in the achievements of your supposed rival, such alacrity to help a colleague. That may be a consequence of the difficulties and the dangers, which may also help explain why it is a profession awash with laughter, jokes and nostalgic reminiscence, to go with the booze and the boredom, the airports and the expense account, the bullets and the dysentery, the affairs and the alimony bills.

Mort Rosenblum's *Who Stole The News?* is about foreign news coverage and is infuriating because it is written for an exclusively American audience; its argument is therefore seriously unconvincing to Europeans. Rosenblum is a senior and extravagantly experienced correspondent for the Associated Press and he believes that the reporting of international news has deteriorated to a dangerous degree.

He blames television: "For all of its flash and promise, much of our coverage of news from beyond our borders is hardly better than it was in the days of Morse code. Television lets us watch the volcano erupt; it does not show the lava as it is overheating, while there is time to react ... Most Americans are shown generalities, simplicities and vast empty spaces, a parody of the real world beyond their borders."

That may be true of the US land mass just as it is no doubt correct that two-thirds of Americans depend on TV for their news and more than one-third read no newspaper at all. Rosenblum describes himself as a dinosaur and is nostalgic for earlier, happier times. But this is polemic – very readably so – and it infuriates because it admits no cosmopolitan dimension or corrective, which is surprising in an author who has been editor of the *International Herald Tribune*.

The fact remains that people who need or wish to follow overseas affairs are still served by newspapers which have over the past generation developed a considerable range and depth of international news and analysis, even as the TV newscasts have become more domestic and banal and the local papers more parochial.

Chris Munnion, the *Telegraph's* Africa correspondent for many years, is particularly good on the importance of peer-group camaraderie to foreign correspondents. It is easy to understand its function in

WHO STOLE THE NEWS?
by Mort Rosenblum
John Wiley £16.95, 299 pages

BANANA SUNDAY
by Chris Munnion
Wm Waterman (Box 5091, Rivonia, 2128, S Africa) R70, 443 pages

NEWS FROM THE FRONT
by Sandy Gall
Heinemann £16.99, 344 pages

LAST OF THE PIRATES
by Samantha Weinberg
Jonathan Cape £16.99, 256 pages

Africa in the 20 years after decolonisation for the men (and, slowly, the women) whose job was to fly from one disaster to another in constantly frustrating and often terrifying circumstances.

In *Banana Sunday* Munnion is writing about the OAHs, the "Old Africa Hands" – he finishes in 1980 – and makes proper acknowledgement to Evelyn Waugh's *Scoop*.

He achieves the rare feat of describing a great deal of bloodshed while remaining very funny – the anecdotes never stop. Like Rosenblum, he is nostalgic for the old days of battered Remingtons and the absurdly abbreviated prose of cablese, and he is nervous of the new world of laptops and TV crews. My justification for reviewing a book not yet available internationally is that I might persuade a London publisher to take up this gem of the genre.

Munnion is an irredeemable male chauvinist and his political attitudes make him a typical resident of the Transvaal (not to add a stalwart of the *Telegraph*). All the famous stories are here, and many that I had forgotten. As, for example, when the hacks challenged each other in their adolescent and well-lubricated way to get a by-line into a British national paper from Banana – a port on the Congo River – datelined "Sunday". It eventually appeared in the *Daily Mail* from Peter Younghusband, but was held over for a day – so it appeared as "Banana, Monday".

Sandy Gall, that most laid-back of our TV newscasters, features in Munnion's pages and has himself produced another volume of memoirs, *News From The Front*. He takes up the tale in 1977 and focuses on Pakistan, Vietnam, Cambodia, the Gulf war and his personal obsession, Afghanistan. There is next to nothing about news-casting because he evidently rates his life as a correspondent much higher: it is smooth, urbane, not profound, but these are the qualities of a successful newscaster. The funniest page is a bitchy put-down of Kate Adie.

For her first book, *Last Of The Pirates*, Samantha Weinberg ventures into an obscure backwater of the post-colonial world – the recent history of the Comoro Islands, scattered between Madagascar and the east coast of Africa, a French protectorate since the mid-19th century.

Mercenaries seem to be out of fashion at present – except in Bosnia – but in the 1960s they were all over the front pages. In the Congo, Bob Denard was second in notoriety only to "Mad Mike" Hoare. Denard finished up in the Comoros, where in the 1980s he ruled the roost and was responsible for two coups. Ms Weinberg has been investigating these years, in particular the matter of who shot President Abdallah in 1989; this required her to track down Denard in his enforced retirement near Johannesburg. Her task is readably and convincingly achieved and will gratify the tiny minority which has an interest in Indian Ocean islands, but one cannot resist the feeling that this is parish pump stuff. The French have followed this topic more closely than we, and this book is not going to tell them much.

Here, then, are four foreign correspondents, of different age, sex, experience. It is said that several thousand of the breed are preparing to fly to South Africa for the April 27 elections. Two things are certain: the ANC is going to win, and some of those journalists are going to get themselves killed. But, as someone famously said of the profession, it is better than working.

ARTS

Poetic license with the Bible: 'Seaport with the Embarkation of the Queen of Sheba'. Claude would have made a horrible job of the camels mentioned in the Book of Kings

Visions to soothe the soul

*Claude may have painted to order, but **Patricia Morison** is enchanted*

When Claude Lorrain died in 1682, his tombstone in Rome honoured "the outstanding painter, who represented marvellously the rays of the rising and setting sun over the landscape." *Claude: The Poetic Landscape*, the new exhibition in the National Gallery's Sainsbury Wing, could not fail to be a ravishing show, yet it takes a strangely oblique approach to "the outstanding painter". It asks two questions, who are those quaint little people in Claude's landscapes, and how much do they matter?

It might seem like footling pedantry to draw attention to Claude's Achilles heel. Anyone can see that he was as bad at drawing people and cows as he excelled in depicting sunlight, clouds, temples and bosky trees. As he grew older, the classically robed figures with big chins and rubbery bodies grew larger and, in his last years, even more peculiar.

In the Ashmolean Museum's "Landscape with Ascanius Shooting the Stag of Silvia", Ascanius looks like a stilt-walker and the stag has apparently swallowed a whole baguette. Yet it is one of my favourite paintings, its strangeness inseparable from its haunting atmosphere. To other admirers of Claude, however, the beauty of his landscapes is inversely related to the prominence of his people. Even so, they will find *Claude; the Poetic Landscape* is a marvellous exhibition. Claude's vision of Arcadia is balm to the soul, just as it was to the jaded, world-weary cardinals and princes of his day.

The National Gallery's 12 Claudes, landscapes and scenes of classical seaports, are shown with paintings and drawings from museums and private collections all over Europe. Paintings hang beside related drawings. They are wonderfully varied: atmospheric sketches from nature, ideas for compositions, and exquisite finished drawings like the Queen's "View of Delphi With a Procession". A number are from the British Museum's *Liber Veritatis*, the book which Claude, who despite his success seems to have been mildly paranoid, began to protect his compositions from fakers.

Yet the schoolmasterly hand is hard to ignore. One effect of Claude's success was that richer men liked to buy his pictures in pairs so that they could enjoy contrasts in views, moods and times of day – a kind of pictorial equivalent of listening to Indian ragas. Some pairs split between different collections are reunited here, but some are hung separately, according to Claude's subject matter: the Bible, Ovid, Virgil, Apuleius and Tasso.

These were perfectly standard sources for painters. However, a subject like "Bacchus at the Palace of Staphylus", taken from the 5th-century Greek poet Nonnus, must have been the last word in intellectual chic. Claude, who initially wanted to be a pastry cook, was not an intellectual, like Poussin or Rubens. His stories must have been dictated by his patrons.

In the catalogue (light enough to carry round the show) curator Humphrey Wine fleshes out his argument. Claude's clients were not just rich but clever, alumni of the top Jesuit schools and aristocrats who believed the blood of Virgil's heroes ran in their veins. To cater for their tastes, the people we see in the first room, shepherds, peasants and prostitutes, were replaced by figures in togas.

Erudite clients asked for such uncommon scenes as "Perseus and the Origin of Coral" from Holkham Hall and "Landscape with Mercury and Battus" from Chatsworth. Perhaps they competed to devise ingenious themes for their poetic landscapes. For one papal courtier, Claude painted a classical port thronged with St Ursula and her 11,0000 Virgins, tripping down to the quayside armed with bows and arrows. For Cardinal Pamphili, Claude painted a seaport with a subject never shown before, "The Embarkation of the Queen of Sheba", now in the National Gallery.

It was hardly accurate to show the queen going by ship, given that the Book of Kings tells us she took a camel train to meet King Solomon. In Spain, taking poetic license with the Bible could have meant trouble with the Inquisition. Pamphili, however, was the pope's nephew and could call the tune. Besides, Claude would have made a horrible job of the camels.

For the pendant, Pamphili wanted a golden afternoon and rustic merrymaking. "The Marriage of Jacob and Rebekah" shows a party in full swing, whereas according to the Bible, Jacob simply took Sarah into his mother's tent and got on with it. No one would even know what these two famous paintings represent if Claude had not inscribed the titles in the pictures.

At least to his clients, the people in Claude's landscapes did matter. However, you may feel that the poetry of his paintings starts to dispel the more that is known about their origins. Take "The Enchanted Castle", properly known as "Landscape with Psyche outside the Castle of Cupid". Wine suspects that Psyche's horrid fate was chosen by the philandering Prince Colonna as a warning to his wife not question his escapades.

Is it not going too far, to see the origin of one of the best loved and most sublimely mysterious pictures in the National Gallery, source for Keats's "Ode to a Nightingale", as a squalid philanderer's charter? Even worse is a recent, horridly topical, view of the brief given by the prince to Claude. "The Enchanted Castle" was to illustrate the lines in Apuleius's poem in which Psyche considers whether to decapitate her lover Cupid that night as he slept.

This is an exhibition which is sure to divide romantics and hard-heads. But to my mind, we can never know too much about the genesis of great paintings. The poetry and magic of Claude survives; as a contemporary wrote, "one sees things from his hand which, surpassing all imagination, can by no means be described."

Exhibition continues until April 10; open until 8 on Wednesdays. Director's Evenings will be held on March 8 and 22; to book, ring 071-389-1771.

Tables set for a king

Susan Moore sits down to dine at Versailles

At dinner the young Louis XIV had some 154lbs of gold plate at his disposal, yet he ate with his fingers and rented his napkins. Increasing research into the use of the decorative arts in historic houses and palaces has led to new interest in the art and ritual of dining.

The catalyst was the restoration of Het Loo in Holland in the late 1980s. Henry VIII's kitchen has been recreated at Hampton Court and William III's private dining room opened to the public last year. There were elaborate exercises in historic table laying at Amalienberg in Copenhagen and at Kensington Palace in London, where a display of Danish royal silver was set as for Christian VII's 21st birthday banquet in 1770.

The latest and most ambitious manifestation of this table-mania is a spectacular exhibition at Versailles. *Versailles and the Royal Tables of Europe* presents a sequence of sumptuous displays of French gold and silver plate and Sevrès porcelain, supplemented by paintings, prints, table plans and menus. Loans have come from museums and private collections from St Petersburg to Lisbon.

The repatriation is all the more poignant because virtually no 17th or 18th century plate survives in France. Louis XIV transformed dining at court into a highly ritualised public display to demonstrate the wealth, status and absolute power of the monarchy. What was not claimed by successive royal smeltings to finance war was dispersed in the Revolutionary sales, as were the royal Sevrès services.

The greatest testament to the art of the 18th century French goldsmith is now to be found in the Palace of Ajuda and the Museum of Ancient Art in Lisbon. João V of Portugual was a fervent admirer of Louis XIV. His ambassador to France was asked to provide precise information on *la service à la française*. The silver he ordered from French goldsmiths Thomas and François-Thomas Germain is one of the glories of the show. The table is set for 48 guests; over 300 plates, dishes, tureens, candlesticks and the like adorn its snow white cloth.

Dominating the whole setting is a grand *surtout* or centrepiece complete with finely modelled hounds, hunting horn and dead game. A snail slithers out from under the canopy of oak leaves, tortoises emerge from the feet below. The only pity is that the opportunity of presenting the table exactly as it should have been was wasted. The table is far too wide and the effect is spoilt by the rakish angles of the candles and the harsh spotlights.

Pier Luigi Pizzi's design is more atmospheric elsewhere. The first room of the exhibition plunges us into near darkness and a moment of pure theatre. In the centre is a reconstruction of the 10m high column of candles, the table decoration for the marble courtyard at Versailles for a a supper to celebrate the conquest of the Franche-Comté in 1674.

The use of porcelain on the royal table, and the role of the royal factory at Sevrès, is neatly dovetailed into the story. These brilliantly enamelled and costly wares were alternated, or used simultaneously, with gold and silver plate. Louis XV's first, "celestial blue" service from the Vincennes manufactory (which moved to Sevrès in 1756) comprised only dishes for the first course and dessert, as did the most magnificent service ever produced at Sevrès, commissioned by Louis XVI in 1783. The king himself drew up the production schedule, which was intended to extend to 362 pieces. Only 162 were produced – and they were soon the property of George IV.

Dessert was the apotheosis of the meal, served in a different room on a splendidly decorated table. The most successful table here displays 288 pieces of the Greek Revival dessert service commissioned by Catherine the Great, along with the silver-gilt cutlery ordered from Paris to accompany it. Its specially developed ground imitates turquoise, its borders cameos of antique hardstones. Even the vessels took their form from antiquities. Ice-cream cups came in the form of kraters, plates appeared like antique paterae.

More extraordinary still is the dessert service commissioned by Napoleon to celebrate the success of the Egyptian Campaign. Its centrepiece is a sequence of biscuit-ware Egyptian temples and pylons, flanked by statues, obelisks and ceremonial rows of rams.

Plate, porcelain and still-lifes are witness to changing eating habits, from the *pot à oille* round tureens, specifically used for the Spanish-style stews introduced by Louis XIV, to sauce boats for new butter-based sauces and porcelain tureens whose decoration alludes to the food within. Content, as well as form, was important.

The exhibition, sponsored by Moët & Chandon to celebrate its 250th anniversary, continues at Versailles until February 27.

Video / Nigel Andrews

An orgy of nostalgia

From the plethora of lovingly reissued classics you should pounce on three

For an art form still just short of a hundred – centenary fireworks next year – movies have an amazing reverence for the past. They keep that past alive now thanks to their life-extending nephew, the video market, whose release titles this month read like an invitation to a nostalgia orgy.

Here is a new label called "Golden Age", wheeling out gilded classics like Griffith's *Intolerance*, Stroheim's *Queen Kelly* and Murnau's *Faust*. The late Federico Fellini is honoured with two choice reissues of early films, *Variety Lights* and *The White Sheikh* (Connoisseur). And then there are the new Hollywood movies, like Abel Ferrara's *Body Snatchers* (Warner) and Joe Dante's *Matinee* (Guild), whose sole purpose is to remake old Hollywood movies or genuflect before them.

Dante's film has a whale of a time throwing a larger-than-life horror director played by John Goodman (and based on William "The Tingler" Castle) into Key West during the true-life trauma of the Cuban Invasion. And Ferrara gives the twice-filmed *Invasion Of The Body Snatchers* a fresh fear-transfusion by setting it in an army camp. The "pod" people wear khaki; the innocent newcomers are an army wife (Meg Tilly) and her children; and the clue to the newly "possessed" is their tendency to emit eardrum-skewering screams whenever they sight a potential victim. Unreleased, bizarrely, in UK cinemas; worth catching now.

As for the lovingly reissued classics, you should pounce on three. *Variety Lights* (1951) was Fellini's dazzling solo-directing debut, spinning wit and visual poetry around his wife Giulietta Masina. *Queen Kelly* (1929) has Gloria Swanson alternating piety with pulchritude as a convent girl raised to royalty. (Loopy plot; lyric treatment). And *Intolerance* (1916) is still the epic to end them all. Its Babylonian temples, horizon-to-horizon battle scenes and multiple-choice narrative (Nebuchadnezzar, Crucifixion, St Bartholomew's Day, modern love story) still amaze, even when squashed into a TV screen.

That both Stroheim's and Griffith's films became raw material for later movies – Swanson re-runs *Queen Kelly* in *Sunset Boulevard*, *Intolerance* inspired the Tavianis' *Good Morning Babylon* – adds to our sense of cinema as a Chinese box of nostalgic self-referentialism. For past-delving good measure February also offers the original 1925 version of the thrice-filmed *The Lost World* (Golden Age) and Clouzot's first, French and finest *Wages Of Fear* (Arrow); made in 1953, 20 years before the excruciating Hollywood version directed by William Friedkin.

But movies can also do more inventive things with Time than trawl through golden ages for inspiration-prompts. My pick of the month is the Bill Murray comedy *Groundhog Day* (Columbia). Here an art form based on pictures moving through time gets stuck in time as if in a revolving door. Murray is a TV weathercaster weekending in the tiny town of Punxsutawney, Pennsylvania, for the annual spring-heralding Groundhog Festival. But each morning, he wakes up to find that it is the same day: same people saying and doing the same things, except for Murray himself who finds he can use his cumulative hindsight to influence destiny – and the affections of his beloved Andie McDowell.

No medium but the moving picture could make this work. What would seem laboured whimsy in a novel or stage play is funny because of cinema's throwaway realism and Murray's own throwaway, cinegenic befuddlement. This actor is modern cinema's best disgruntled comic – his face a living beanbag – and in *Groundhog Day* he has the time of his life trying to sort out the time(s) of his life.

Chess No 1007: 1 Qxe2. If g1Q 2 Rxg1+ and mate next move, or 1...Kf6 2 Qxg2 Kf5 3 Rf1, or 1...Kh6 2 Qxg2 and 3 Rh1.The trap is 1 Ke8/e7? Kh7 2 Kf7(expecting g1Q 3 Qh3 mate) g1N!

Izzard: wizard at the game

There is an interesting new version of that "Popular panel game, *Just a Minute*" on offer at the Albery over the next seven weeks. There is only one contestant, Eddie Izzard, who is given the usual random subjects like "washing powders", or "birds", or "round tea bags" and must then witter on about them with as much repetition, hesitancy and deviation as possible until a silence falls upon the theatre.

Eddie is a wizard at the game. He keeps it up for over two hours. Of course there is the odd dramatic mannerism to help things along. Izzard is a semi-detached transvestite which on this showing means wearing thick make up, including elongated red finger nails Joanna Lumley would kill for, and black tights. He also has an agreeable personality, laid back, easy going, quite at odds with the "fingers in your eyeballs" delivery of other contemporary stand ups like Ben Elton. If you have got to be stuck between London and Edinburgh with an obsessional conversationalist you could do worse than Izzard.

But charm is best oiled with good material and Izzard's is patchy. This does not worry him. If a particular imaginative flurry does not attract a giggle he says "right enough" and crosses it out on his imaginary script. Fortunately as "Top Live Stand Up Comedian British Comedy Awards 1993" Izzard has a reverential following and most of his musings constantly keep enough of the audience in stitches.

I laughed fitfully. He is funny on the differences between dogs and cats – do not expect to tramp the realms of the higher philosophy with Izzard – and few men could talk for 30 minutes about washing powders with such surrealistic effect. His ruminations about how blue pants manage to infiltrate the white wash might make a compilation of the best of 1990s humour some day.

But unless you are as caught up in the minutiae of *Star Trek*, leave 20 minutes before the end. You only have to say "beam me up, Scottie" to crease up a substantial section of the population, but this is a generational weakness, a desire by thirtysomethings to return to their childhood and laugh at the awfulness of a series they took so seriously. It is too soft a target for so much of Izzard's time.

Better by far are his forays into wildlife. "Bees making honey is like earwigs making chutney," he muses, and is strong on bird migration. His willingness to swoop around the stage, with impressions of swallows, astronauts and Dracula greatly beefs up the performance.

Izzard refuses to appear on television, although he is working on a sit com. He is a rare, unusual talent, aimable, non political, quite decorous in his language. He is quite important so a trip to the Albery is almost essential.

Antony Thorncroft

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Walking the Dog. 7.50 Peter Pan and the Pirates. 8.15 Chuckleviaion. 8.35 The Raccoons. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus. 12.55 Racing from Chepstow: The 1.00 Tony Preston Memorial Novices Chase. 1.10 News. 1.15 Rugby Union: Preview of Scotland v England. 1.25 Racing: The 1.30 Albright Bitter Starlet Novices Staying Hurdle. 1.40 Rugby Union. 2.00 Racing: The 2.00 John Hughes Grand National Trial (H'cap) Chase. 2.15 Rugby Union: The Five Nations Championship. Live coverage of Scotland v England from Murrayfield. Plus, highlights of Ireland v Wales. 4.35 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 The New Adventures of Superman. Lois discovers her father is unwittingly helping a crooked boxing promoter create a robot army.
6.15 Noel's House Party. Racing commentator Derek Thompson turns medieval for his Gotcha Oscar, plus another attempt to Grab a Grand and the weekly visit of NTV.
7.15 Big Break. Ken Doherty, Tony Knowles and Mike Hallett help contestants win cash prizes. Hosted by Jim Davidson.
7.45 Birds of a Feather. Sharon is furious when husband Chris asks for a divorce. Dorien leaves Marcus for toyboy Luke – but her joy turns to dismay when she sees his sleazy flat.
8.15 Casualty. A deaf brother and sister's argument about their disability leads to tragedy, and a man unable to cope with bereavement barricades himself in his home, forcing paramedics into a desperate struggle to resolve the crisis. Josh faces suspension when a drug addict accuses him of sexual assault. Drama, starring Ian Bleasdale, Derek Thompson and Clive Mantle.
9.05 That's Life!
9.45 News and Sport; Weather.
10.05 Match of the Day. Highlights from two of today's FA Premiership matches.
11.10 Film: Criminal Behaviour. Premiere. A streetwise LA lawyer plunges headlong into danger after uncovering the truth behind a murder. Offbeat mystery thriller, starring Farrah Fawcett (1992).
12.40 Weather.
12.45 Close.

BBC2

7.15 Open University.

12.15 Film: The Heiress. Olivia de Havilland plays a wealthy widower's daughter courted by a fortune hunter. Oscar-winning drama, with Montgomery Clift and Ralph Richardson (1949).
2.10 Horizon. How a girl confined to one room until the age of 13 by her deranged father was later used as a guinea pig to test new theories on language.
3.00 Wild Westerns: Back to the Saturday Matinee. Film expert Tony Thomas presents extracts from Westerns of the 1930s and 1940s.
3.30 Film: The Singer Not the Song. Turbulent drama, starring Dirk Bogarde as a Mexican bandit whose reign of terror is challenged by a kindly priest (John Mills) (1961).
5.40 Bollywood or Bust. Mohit Dutta hosts the final of the Hindi movie quiz.
6.10 Late Again.
6.50 Scrutiny.
7.20 News and Sport; Weather.
7.35 Tomorrow's Socialism. Ex-Labour leader Neil Kinnock presents a two-part examination of the political ideology, asking what changes need to be made if it is to have a viable future. The programme includes footage of Mr Kinnock's visit to the former Soviet Union, where he meets Mikhail Gorbachev and talks to miners and factory managers in Siberia.
8.15 Unplugged. Acoustic performance by acclaimed Georgia group REM recorded in 1991, featuring songs from the album Out of Time.
9.05 Arena. A year in the life of hard-line communist Vladimir Pozner, a former New Yorker whose outspoken support for the Soviet Union during the 1980s galvanised the attention of Western TV audiences. Pozner, who after 38 years behind the Iron Curtain now co-hosts an American chat show with Phil Donahue, talks about glasnost and offers his views on the events surrounding the Soviet coup.
10.05 Between the Lines. Clark faces hostility when three streetwise detectives refuse to co-operate with an inquiry into police brutality.
11.00 Film: A City of Sadness. Drama about a Taiwanese family's involvement with gangsters and political dissidents. Tony Leung stars (1989). (English subtitles).
1.30 Later with Jools Holland.
2.35 Close.

LWT

8.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Movies, Games and Videos.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 NBA Basketball. The game of the week, and highlights from the rest of the league.
2.10 Life Goes On. Libby auditions for the local talent show.
3.05 Film: Carry On Regardless. Comic catastrophes as the gang opens a temping agency. Sid James, Charles Hawtrey and Kenneth Williams star (1961).
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.20 Baywatch. Mitch's attempt to rescue two young brothers from a rip current leaves one of the boys fighting for his life. Starring David Hasselhoff.
6.15 Blind Date. Romance-seeking hopefuls go on the date of a lifetime.
7.15 Barrymore. Star-struck members of the public demonstrate their talents on stage, including a one-man band from Middlesex and a motorcycling granny from Sussex.
8.15 Beadle's About. New series. Jeremy Beadle plays pranks on members of the public.
8.45 ITN News; Weather.
8.55 London Weather.
9.00 Caught on Camera. Michael Aspel presents dramatic rescues and real-life triumphs captured on film, and the people involved tell their stories. The first of two specials features footage of a sinking cruise liner and its trapped passengers, a family fleeing a raging tornado, and a woman who gets the surprise of her life while making a parachute jump.
9.45 The Big Fight – Live. Chris Eubank defends his WBO World Super Middleweight title against Germany's Graciano Rocchigiani. Jim Rosenthal presents the action from Berlin.
10.45 Film: Blue Jean Cop. A reputable attorney and a maverick detective form an unlikely partnership to track down a cop killer. Action thriller, starring Peter Weller and Sam Elliott (1988).
12.30 Comedy Club.
1.00 Get Stuffed; ITN News Headlines.
1.05 The Big E.
2.00 Get Stuffed.
2.05 New Music.
3.05 Get Stuffed; ITN News Headlines.
3.10 Travel Trails.
3.40 Coach.
4.10 Backstage.
4.25 BPM; Night Shift.

CHANNEL4

8.00 4-Tel on View. 6.35 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 Gazzetta Football Italia. 12.00 World Tennis.

12.35 Racing from Sandown Park. Introduced by Brough Scott. The 12.50 Ripley Four Year Old Hurdle, 1.20 Scilly Isles Novices' Chase, 1.55 Sandown Handicap Hurdle, 2.30 AGFA Diamond Chase (Ltd H'Cap), 3.05 AGFA Hurdle. Commentary by Graham Goode, John Oaksey, John Francome, Derek Thompson, John Tyrrel and John McCririck.
3.25 Film: I Thank You. Two unemployed actors go to work for a former music hall star in the hope of persuading her to back a new show. Comedy, starring Arthur Askey (1941).
4.55 Pear People In Car Race. Computer-animated car race.
5.05 Brookside.
6.30 Right to Reply.
7.00 A Week in Politics. Irreverent recap of the week's parliamentary stories; News Summary.
8.00 Who Let Our Children Die? – The Murders of Beverly Allit. In the space of 61 days nurse Beverly Allit murdered four children and attacked nine others in the children's ward where she worked. Parents of the victims tell their story and ask why nothing was done.
8.45 Snapshots: Christine Keeler. Keeler returns to Wraysbury, on the Thames, where she grew up. As a child she nearly drowned in the river and her early experiences foreshadowed the 1963 Profumo affair.
9.00 NYPD Blue. Kelly and Sipowitz are assigned to a double homicide at a liquor store, and Goldstein learns a hard lesson when he ignores all warnings about confronting criminals. Police drama, with David Caruso, Dennis Franz and David Schwimmer.
10.00 Film: Shame. A female lawyer uncovers a series of brutal rapes in small-town Australia and tries to stir the locals to fight back. Powerful drama, starring Deborah Lee-Furness (1987).
11.45 Broadway Stories. Surreal Damon Runyan tale about a badly wounded man seeking refuge with one of his many female admirers.
12.20 Film: Mr Moto's Gamble. The Japanese detective investigates murder in the world of boxing. Mystery, starring Peter Lorre (1938).
1.35 Herman's Head.
2.05 The Word.
3.05 Close.

REGIONS

SUNDAY

BBC1

7.30 Penny Crayon. 7.40 Playdays. 8.00 The Little Green Planet Show. 8.15 Breakfast with Frost. 9.15 Glimpses of God. 9.30 This is the Day. 10.00 See Hear! 10.30 Deutschland Heute. 10.45 Italianissimo. 11.00 Careering Ahead. 11.30 Mosaic.

12.00 Family Affairs. Treatments for glue ear in children, and advice for step-parents.
12.30 CountryFile. John Craven covers the latest rural issues.
12.55 Weather for the Week Ahead.
1.00 News.
1.03 On the Record. John Humphrys analyses the week's political events.
2.00 EastEnders.
3.00 Film: The Battle of the River Plate. Second world war adventure about the 1939 disabling of the German battleship Graf Spee by British forces. John Gregson and Anthony Quayle star (1956).
4.55 Smokescreen. Windsor and Fenbury Fred are hailed as heroes when they save patrons from a fire at Gold's cinema. Last in series.
5.25 Antiques Roadshow. The items under scrutiny in Heveningham Hall in Suffolk include a valuable portrait, a gentleman's dresser and an elongated dining table.
6.10 News.
6.25 Songs of Praise. Alan Titchmarsh journeys to Pershore, Worcestershire.
7.00 As Time Goes By. Jean discovers the startling truth behind Lionel's suddenly diminishing workload. Judi Dench and Geoffrey Palmer star.
7.30 The House of Eliott. Tensions rise when Evie is accused of putting her relationship before the business, and Bea dedicates more of her time to motherhood.
8.25 So Haunt Me. Yetta resolves to attend Mr Bloom and Miss Finkel's wedding – how will the other guests react to her ghostly arrival?
8.55 News and Weather.
9.10 Screen One: Bambino Mio. Colin Welland's drama, starring Julie Walters as an infertile widow who visits central America in the hope of adopting a youngster.
10.35 Heart of the Matter. Joan Bakewell investigates the controversy surrounding intensive farming.
11.10 Film: High Anxiety. Mel Brooks stars in this Hitchcock spoof as the new head of a very unusual psychiatric institute. With Madeline Kahn (1977).
12.40 The Sky at Night.
1.00 Weather.
1.05 Close.

BBC2

6.15 Open University. 9.00 Draw Me. 9.25 Simon and the Witch. 9.40 The Animals of Farthing Wood. 10.05 Incredible Games. 10.30 Grange Hill. 10.50 As Seen on TV. 11.20 Maid Marian and Her Merry Men. 11.45 The O-Zone. 12.00 Dr Who: The Green Death. 12.25 pm The Fugitive. 1.15 The Phil Silvers Show.

1.40 The Living Soap. Karen returns from holiday with news of a whirlwind romance.
2.00 Around Westminster.
2.30 Sarajevo Compilation. Round-up of reports from the war-torn city.
2.40 Snooker: The Masters. Coverage from Wembley Conference Centre, where Stephen Hendry takes on Darren Morgan, and Ronnie O'Sullivan plays Dennis Taylor.
4.30 Ski Sunday. Action from the men's downhill at Garmisch-Partenkirchen, plus a preview of next week's Olympic downhill in Lillehammer, Norway. Last in series.
5.10 Rugby Special. England v Scotland at Murrayfield; Ireland v Wales at Lansdowne Road. Chris Rea presents highlights of yesterday's matches.
6.10 Nomads of the Wind. The adverse impact of European explorers and commerce on the people of New Zealand, Tahiti and Hawaii.
7.00 The Money Programme. Investigation into personal pensions, an industry currently booming due to the government's increasing emphasis on opting out of the state scheme. Tom Maddocks looks at the hard-sell tactics being used by insurance companies, and asks whether Britain's future is safe in the hands of private enterprise.
7.40 Baby Monthly. Diary-documentary following five couples through their first year of parenthood.
8.10 Moving Pictures. Review of In The Name of The Father, the controversial Hollywood-backed film about the Guildford Four.
9.00 Auction. Sotheby's sale of former Soviet cosmonaut memorabilia, including moon dust, pressure suits, astronaut Yuri Gagarin's notebooks, and a space capsule. The final programme in the series asks how experts evaluate such unusual items.
9.30 The Great Pyramid. Investigation into the secrets of the Egyptian architectural wonder.
10.20 Film: Bull Durham. Baseball comedy, starring Susan Sarandon as a team groupie torn between hardened veteran Kevin Costner and fiery newcomer Tim Robbins (1988).
12.05 Snooker: The Masters.
1.30 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Political interviews with Eddie George and Kevin McNamara.
2.00 Animal Country. Desmond Morris interviews wildlife photographer Eric Ashby.
2.30 The Sunday Match. Middlesbrough v Millwall. Matthew Lorenzo and Ian St John introduce live coverage of the Division One match from Ayresome Park.
5.05 Father Dowling Investigates. The religious crime-fighter investigates when a young woman disappears under mysterious circumstances.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Film: Three Men and a Little Lady. Premiere of the comedy sequel in which Tom Selleck, Ted Danson and Steve Guttenberg try to prevent little Mary's mother taking their adopted daughter to live in England (1990).
8.20 Dandelion Dead. Michael Kitchen stars as a solicitor in a 1920s market town who plots to dispose of his domineering wife and ambitious business partner. Two-part murder mystery based on a true story, with Sarah Miles.
10.20 ITN News; Weather.
10.30 London Weather.
10.35 The South Bank Show. Lenny Henry explores the world of African-American comedy, revealing the pain and indignity he has suffered in his own career as a black British comic. A mixture of humour and seriousness, the film follows Lenny as he raps in the park with Los Angeles "gangstah" comedians, and encounters some of the original performers of Blackface comedy. Including interviews with Robert Townsend, Dick Gregory and Keenan Ivory Wayans.
11.35 Sail the World. On-board pictures and stories from the third leg of the Round-the-World Yacht Race.
12.05 Cue the Music.
1.05 Get Stuffed; ITN News Headlines.
1.10 War of the Worlds.
2.00 Music from the Circus.
2.30 Off Beat.; ITN News Headlines.
3.00 Snooker: The 1994 European League.
5.00 Crusade in the Pacific.

CHANNEL4

6.05 Early Morning. 9.45 The Lone Ranger. 10.15 Saved by the Bell. 10.45 Planet of the Apes. 11.45 Little House on the Prairie. 12.45 pm Bush Tucker Man.

1.15 Football Italia. Action from Serie A. Inter Milan v Lazio.
3.30 Film: Up the Creek. Seafaring farce, starring Peter Sellers as a captain whose smuggling operation is threatened by the appearance of a Royal Navy lieutenant (David Tomlinson) (1958).
5.05 Little Wolf.
5.10 News Summary; Weather.
5.15 High Interest. Report on how the decline of smoking in America led to a bitter price war between tobacco companies, throwing Wall Street into panic as investor confidence plummeted. The programme assesses what impact the campaign to increase public health awareness is having on cigarette sales, and looks at how manufacturers are fighting back.
6.00 Moviewatch. Reviews of Free Willy, In the Name of the Father, and The Three Musketeers.
6.30 The Cosby Show.
7.00 Time Team. Bristol University's Mick Aston and actor Tony Robinson unearth the hidden secrets of a man-made island in Llangorse Lake near Brecon, Wales. Cameras follow the experts as they try to discover what happened to the region's former occupants and investigate their connection with Ireland.
8.00 Camera. Modern-day fantasy opera composed by Anthony Moore to a libretto by Peter Blegvad, set in an imaginary tax-free country located in a suburban house. The work is based on an original idea by its star Dagmar Krause, with music performed by celebrated Romanian-born violinist Alexander Balanescu and his quartet.
9.00 Film: The Pope Must Die. Comedy premiere, starring Robbie Coltrane as a lowly priest who uncovers a plot to defraud the Vatican bank after being mistakenly elevated to Pope (1991).
10.55 The Falklands War. Graphic account of 1982's bitter conflict between Britain and Argentina.
12.00 Film: Alice in the Cities. A journalist and a young girl begin a journey of discovery across the US after being thrown together by chance. Road movie, starring Rudiger Vogeler (1974).(English subtitles).
2.00 Close.

REGIONS

RADIO

SATURDAY

BBC RADIO 2

SUNDAY

BBC RADIO 2

CHESS

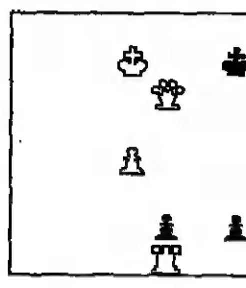
Intel, the microchip firm, is providing $1.2m sponsorship for the Professional Chess Association (PCA) as the new group founded by Kasparov and Short continues its struggle with the established ruling body Fide. Intel's backing, revealed here several months ago, was formally launched this week.

The PCA world title quarter-finals will be in New York in June, where Short plays the US veteran Gulko, while Britain's No 2 Adams meets the Russian Tiviakov. The semi-finals will be in Barcelona, while the final eliminator to decide Kasparov's next challenger will be in London in February 1995.

Fide has already announced its own quarter-finals for July. The two bodies are scarcely on speaking terms, and this has led to some delicate scheduling to avoid a collision of dates, with each other or with established tournaments.

Intel is also sponsoring a World Grand Prix at rapid chess, aiming to start at Moscow in the Kremlin in April and continuing in Paris, London and New York. This ambitious plan aims to establish chess as a regular televisual sport, which in turn implies marketable personalities. Judged by this criterion, the PCA is much better placed than Fide, which could easily end up with an all-Russian final.

Of the PCA's realistic potential challengers, Short, Adams, Kamsky and Anand are all media-friendly, but the lurking disaster is a world championship match Kasparov v Kramnik, two alliterative Russians.



No 1007

White mates in three moves, against any defence(by V Kuzmichev, The Problemist 1994). White is queen and rook for pawn up with the black king cornered. But it's not quite so simplistic, there's a hidden trap, and it took me all of 15 minutes. Can you do better?

Solution Page XX

Leonard Barden

BRIDGE

My hand today, which comes from teams of four, was played some years ago:

	N	
	♠ 4 ♥ A8754 ♦ A3 ♣ 86542	
W ♠ Q53 ♥ QJ106 ♦ K102 ♣ KJ3		**E** ♠ 82 ♥ K932 ♦ J9654 ♣ 97
	S ♠ AKJ10976 ♥ – ♦ Q87 ♣ AQ10	

In room one, South dealt and opened the bidding with one spade. North said one no-trump and South's re-bid of four spades concluded the auction.

West made the obvious lead of the heart queen. Taking with dummy's ace, declarer discarded the seven of diamonds from his hand and switched to a club, finessing his 10. This lost to the knave and West led the heart knave, ruffed in hand. South cashed ace and king of trumps but no queen fell. Crossing to the diamond ace, he played another club and finessed the queen, losing to the king. He had to concede a diamond trick – one down. "Unlucky," moaned South.

In the other room South, again in four spades, fulfilled his contract by expert technique. Winning the opening lead on the table, he discarded not a diamond but the 10 of clubs, then cashed the diamond ace and followed with the three. If East holds the king, there is no further problem and South gets home, losing one diamond, one club and one spade.

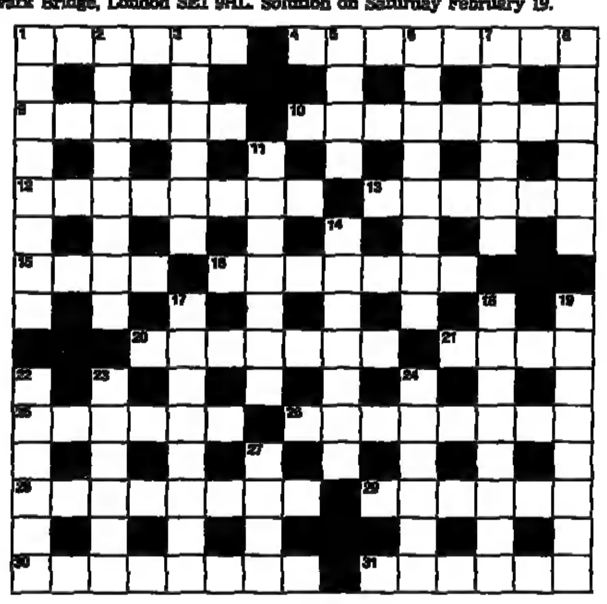
East, however, played low and the queen lost to the king. West had no good return. A club runs into declarer's ten ace; a diamond is ruffed on the table; and a spade costs West his queen, while a heart does not prevent South from ruffing his diamond loser on the table.

E.P.C. Cotter

CROSSWORD

No. 8,372 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 16, marked Crossword 8,372 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday February 19.



Name____________________

Address____________________

ACROSS

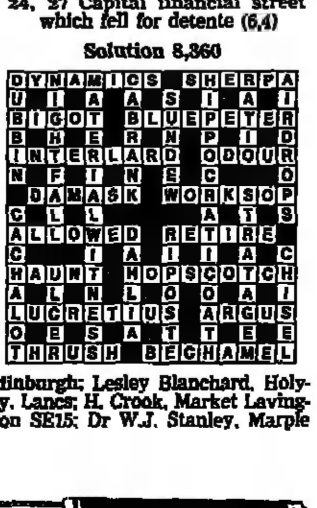
1 Midland city cut down by wild horse (6)
4 Direction and speed, as is caused by stress (8)
9 Without it conscription is frivolity (6)
10 Accommodation spineless individual gets could be a fluke (8)
12 Divider, perhaps, concerned with well-arranged plots . . . . (8)
13, 15 . . . . whence comes danger, dropped to keep pots? (6,4)
16 Work at a town in darkness (7)
20 Explain putting back tree into heavy soil (7)
21, 25 C-curse with rage; it's meant to be clothed (4-6)
26 Girl with lace affected with undesirable reactions (8)
28 It's unfortunate about relative (male) being bald (8)
29 I'm all for arrangement of flowers (6)
30 Projector of religion without a stopper (8)
31 Fisherman of 90 deg? (6)

DOWN

1 Button at door of ex-president who holds the Spanish record (4,4)
2 Not familiar with prose? (8)
3, 5 Dairy product, but the name's the same (10)
6 Briefs for top producer in Hampshire (3,5)
7 It's strange in a cast to be inferior (6)
8 Beneficial traffic? My number is changed (6)
11 Get ready to make reductions about theatrical fabric (7)
14 Part of sleeve within part of sleeve makes disorderly row (7)
17 Temporary setback about part of Aguecheek providing reliable stock (4,4)
18 Second-rate verse depicting bank on railroad (8)
19 Back of a fish (small river), a particular individual (8)
22 Medicine is a singular study (6)
23 Charge to write, we hear (6)
24, 27 Capital financial street which fell for detente (6,4)

Solution 8,371

Solution 8,360



WINNERS 8,360: Ann Mitchell, Edinburgh; Lesley Blanchard, Holymoorside, Derbys; W. Cook, Burnley, Lancs; H. Crook, Market Lavington, Wilts; Miss S.A. Heath, London SE15; Dr W.J. Stanley, Marple Bridge, Cheshire.

BMW runs over Heseltine's testament

***Dominic Lawson** asks what has become of the squire of Thenford's views on the motor industry*

In 1989, I travelled to the border of Northamptonshire and Oxfordshire, to visit the squire of Thenford. This handsome man in an even more handsome Palladian house was, not so surreptitiously, mounting a challenge to the leadership of Mrs (as she then was) Margaret Thatcher. I had come to interview Mr (as he still, temporarily, is) Michael Heseltine.

Naturally I made it my business to read the book described as Heseltine's "personal testament", *Where there's a Will*. Written in 1987, it set out to defend the author's distinctly unThatcherite views on the running of the economy, particularly in a chapter entitled "Industry: a strategy." There the "president of the Board of Trade" set out a list of those industries which required the special attention of government, foremost among them the British motor car industry.

Heseltine opined that no modern industrial economy worth the name could do without a home-owned car industry, and said, inter alia:"For the major part of the British motor industry to fall entirely into foreign hands would leave it a hostage to decisions in Detroit, Paris, Turin ... *that is why the future of the* sole-remaining British-owned and British controlled motor manufacturer, Rover, will continue to be a matter for the Government. Otherwise the British motor industry will find itself further down the cul-de-sac to extinction."

This seemed to me at the time, and still does, to be an archaic analysis of the modern industrial economy.

What about Texas? The Texans seemed to get on just fine without making a single car, I suggested to Heseltine, in 1989, as we gazed out over his estate from his stupendous drawing room.

Not really a country, he said.

What about Switzerland? I asked.

Not a major industrial power, said Heseltine.

He was immovable on this point. So I am afraid I laughed out loud, when I heard the announcement, hot off the Bavarian presses, last Monday morning, that British Aerospace had sold its 80 per cent stake in Rover to BMW for £800m, with no objections from the president of the Board of Trade.

I laughed because I was trying to imagine the discomfiture of Heseltine when his opposite number, Robin Cook, stood up in the House of Commons to quote back at the president of the B of T his own "personal testament" of undying support for the home-owned British car industry.

Unfortunately for the Labour Party their front benchers missed *this opportunity, as they have* missed so many others in recent months. The press too – which a few years back had mounted a successful campaign against the government's plans to sell Range Rover to General Motors, provoking a rare climb down by Thatcher – was generally acquiescent in the transmutation of Rover into Britische Motoren Werke.

Of course, we are all quite right to be so grown-up. We British have been beneficiaries of the anti-protectionist trend, picking up valuable assets all over the world. In general, it makes sense that companies end up *in the hands of those* who will manage them best: no one can seriously claim that BMW will run Rover worse than the somewhat opportunist management of BAe.

Yet, I cannot have been the only free trader who was more than faintly irritated by the spurious claim – since retracted – of the chairman of BMW, Bernd Pischetsrieder, to be the nephew of Sir Alec Issigonis, the designer of the Mini.

Nor I imagine, am I the only believer in the free market who was irked by the triumphalism of the German press over the takeover of Rover. "The Mini is now German" proclaimed the Bild Zeitung, over a photo-montage of Rover Cars bearing the BMW logo. Another German newspaper published a cartoon of Big Ben, with the BMW blue and white emblem in place of the clock face. All harmless *of course*, but *somehow*, as I read of these outbursts of German chauvinism, something like the following crossed my mind: "You are laughing now, Fritz, but I don't think that Daimler-Benz is in such great shape. And have you heard of a company called Hanson ?"

Go on James, give us all a thrill, and make Michael Heseltine's day.

■ *Dominic Lawson is editor of the Spectator.*

Malcolm Crowthers

*Private View / **Christian Tyler***

Musical mystery man

Icons hung on the walls and a candle flickered on the mantelpiece. In the corner stood the concert grand on which John Tavener composes his music. This room in the Sussex countryside is a sanctum in every sense of the word.

Tavener was 50 last week and for his birthday he was given a four-day festival of his work. For a modern composer of serious music whose spirit dwells in the Byzantine Age he enjoys a remarkable – some might say mysterious – popularity.

He even gets fan mail, from teenagers.

Two years ago a recording of *The Protecting Veil*, a cello piece dedicated to the Mother of God, went to the top of the classical charts for several months. ("Not one of my favourite pieces," he says. "In fact, I'm sick to death of hearing it.")

I asked: Is your music the product of religious belief? Or the other way round?

The composer paused and dreamily quoted a line of Yeats – "the singing chant of my soul" – before continuing: "In a way they are inseparable, because writing music to me becomes more and more, as I grow older, an act of prayer.

"I don't think there is anything new about this. It seems to irritate some people – certainly some critics – that they seem to have forgotten that in almost every civilisation except the western this has always been the case."

With hindsight, he said, the religious experience that prompted him to write music was hearing Stravinky's *Canticum Sacrum* at the age of 12. "I *never wrote music that was* totally secular, even before my conversion to the Orthodox church."

Whether or not he is descended from his 16th century namesake, another writer of sacred music, Tavener was precociously talented. He was barely in his teens when he started to compose, and he studied to become a concert pianist. As a youth he would entertain his aristocratic godmother and her friends at parties by playing nursery rhymes in the style of any composer or improvising a musical character sketch of somebody in the room.

Tavener's background is Scottish Presbyterian and, like his father before him, he played the organ in a Presbyterian church. "That made no spiritual impact on me whatsoever, except, I suppose, a sentimental love of hymns which I think I've just about lost." As a student he flirted with Roman Catholicism, but, repelled by its emphasis on punishment and hell, was received into the Russian Orthodox church at the age of 33.

"I'm not a sort of crank who plays a bit with this and the other; but I read books, particularly Ananda Cooramaswami who has far more penetrating things to say about Christianity than most so-called Christian writers in the west today. It doesn't surprise me that so few young people in the west have little time for Christianity. It compromises so much with modernism."

What do you mean by 'modernism'?

"For me modernism is anything that has no connection with tradition, has no connection with symbolism, has no connection with metaphysics." And surprisingly, he added: "It's basically what our future king advocates. *I think we* are extremely lucky to have someone who feels as deeply as he does."

What would you say to being called a reactionary?

"I don't think it's a question of being reactionary. You see, tradition is something that stems from God himself therefore you can't talk in terms of being reactionary. A modernist would say I was reactionary. I can understand that. But in that case I'm very glad to be a reactionary." He laughed.

Pointing to a collection of records, he said he had listened to all the moderns: Stockhausen, Berio, Ligeti, Boulez, but found it all "totally meaningless". He prefers the music of Sufism, Byzantium or Russian chant while continuing to venerate Bach. But he has a special weakness for Mozart's *Magic Flute*.

For you music is primarily a religious medium?

"I think it's totally that."

So when music came out of the churches and into the court that was the beginning of the end?

He laughed. "For me it started to go downhill"

You would have to say the same about painting, I said.

"Yes. I would. Possibly even more strongly." He pointed to an icon.

But there would have been no Cézanne, no Monet ...

"That wouldn't matter to me. On the other hand you can't say God only operates in a middle eastern context. I realise I can't take this point of view to an absurd stage. *I* particularly agree about the Impressionists. I love them. They are much more like icons because they are not literal. *Where I stumble is* with so-called religious art in the *Renaissance, where you see a fat* woman with a fat baby. It doesn't inspire in me the same veneration because it lacks the *gnosis* – another word we have lost."

Music was God-inspired, but that did not make it easy. "It's much tougher than people think. One is brought up with the idea that music has got to be complicated, got to be interesting, to follow an argument. It takes a vast amount of thought to make music simpler, stripping it of complexity."

Are other composers self-indulgent not to make music about God?

"It's not really for me to judge. Obviously their music falls, as far as I am concerned, on deaf ears. That's all I can say."

Talk of self-indulgence prompted me to ask whether behind the modest manner and devotional writing there lurked a secret vanity.

Almost every page of the festival programme carried his photograph and I recalled the moment when Tavener strode theatrically down the aisle of Westminster Cathedral, coat draped nonchalantly over his shoulders and long hair flowing, to take the applause for *Ultimos Ritos*.

Yes, the composer said, he had a personality problem – he found it hard to say No, to photographers or anybody with a job to do. "Have I the right to say I won't be photographed? It's a kind of humility."

And the hairstyle? "I've always had it long. I'm losing it terribly on the front and ... It really isn't conscious." Later, he said: "There *are* paradoxes in my life. I love old cars; I've had a succession of old Bentleys. I don't think that's a bad part of me, just another part of me."

> *'Where I stumble is with so-called religious art in the Renaissance, where you see a fat woman with a fat baby.'* ***John Tavener***

It may, however, be an important fact about Tavener that his life is hostage to serious hereditary heart trouble, related to a condition known as Marfan's syndrome which affects the connective tissue of some tall people. He is 6ft 5in and thin, with long, tapering fingers. Rachmaninov, he thinks, was another sufferer. He has had major surgery, and tires easily. These bouts of illness he takes as a divine signal. What did the signal mean?

"That giving into despair is the wrong idea and that I still had to keep going." A sign that you were paying for something?

"The fact it's taken me so long to be able to cope with the idea of marriage," he said. (Tavener's first marriage, to a Greek dancer, was short-lived. In 1991 he married Maryanna Schaefer and they have a fat five-month-old daughter, Theodora.)

"I think in this last illness when I came so close to death I realised that the only way to live was to live at all risks, otherwise there is no point in living at all."

Did selfishness stop you?

"Yes. Absolute *selfishness* and the *fact* that it would interfere with my precious work – that I couldn't have children because they'd make such a noise. Now I have child, and thank God."

Are you so prolific because of your illness?

"I'm much more aware of mortality, even though it seems ridiculous when one thinks of it. Who really cares whether *I* write any more music or not? I mean, in the light of eternity, is it so important? And yet it seems the most important thing in the world. It must seem like that, otherwise what the hell's the point of doing it?"

What would you like to do, say you have done, before it catches you ...

"Before death," he corrected. "Um. Obviously, even though I have a wife and a child, the most important thing for me still is music. So, it would be to make music actually become meaningful, not in a way that Romantic music is meaningful but in the way it was at the time of say, Plato, when the right notes had to be found before parliament could be opened. So that music was so sacred, so much part of life ...

"Of course, I can't do it. Stockhausen believes he can do such a thing and Scriabin thought he could bring the world to an end by inventing a certain mathematical chord. There is a danger of going completely cuckoo."

If you *were* to hold a cuckoo theory would it be that certain sounds, combinations or pitches can reach certain parts of the human psyche?

"Of the human spirit, not psyche. That's right. *I* think you've got it. Absolutely. It would be impossible, but *that* would be my cuckoo thought.

"Music has become so abstract and so unconnected with anything that at least I have reinstated some of the sacred backing to art."

To save music from total disintegration?

"That's what I really believe."

As They Say in Europe

Taking a fight to the Finnish

James Morgan on the importance of balls, scandal and cake in Austria

It was only two weeks ago that I completed an exhaustive and, I thought, *scholarly, comparative study* of attitudes towards sex scandals in Britain and Germany. I hoped that I would not have to return to this unsavoury topic, but the pressure of events in Austria has forced me to reconsider matters.

My first inkling of trouble to come appeared in an article in the conservative Vienna daily, *Die Presse*. On January 12 it published what should have been a boring report on postings in the Austrian foreign ministry. Buried in the item was this note: "On account of the talk about his contacts with Romanian prostitutes, the former People's Party deputy, Herr Ettmayer, has been named ambassador in Helsinki."

There was no further explanation, and no reaction to what some Finns might have thought to be an insensitive move on the part of those who mastermind Austrian diplomatic initiatives. The two countries have, after all, stood shoulder to shoulder for three decades and are negotiating simultaneous entry into the European Union.

My assumption that this story might reflect a relaxed attitude towards such matters in Austria was not wholly borne out by subsequent events. For then there was the revelation that President Klestil, 61, was conducting an affair with his 39-year old assistant, Margot Löffler. In an interview in *News* magazine, he admitted he and his wife had parted company.

That emerged only after lengthy questioning on such matters as Austria's entry into the European Union, the state of broadcasting and so on. Then the interviewer diffidently said: "Mr Federal President, there is a story going the rounds in Vienna that there is a problem in your private life. You have always said you believe in speaking openly and that you want be honest with the people. Are you ready to talk about your private life?"

President Klestil gave a crafty answer which, I thought, heralded evasions common to politicians: "I shall not flinch from your frank question. I'll just state one thing first: a politician is also a human being." But Klestil admitted his wife had left the offical villa and gone to their old home.

By this time the interviewer realised he or she had stumbled on a nation-shattering story, always troublesome for a journalist, and clearly had no idea how to deal with it. After a while the questioning became flustered: "Why are you answering so frankly?"

"Because you asked the questions."

There was a typically Viennese conclusion: "Did your absence from the New Year balls, with the exception of the opera ball, have anything to do with your problem?" The reply was that there were *too many balls and he*, Klestil, had decided months ago to attend none but the night at the opera.

The *Neue Zürcher Zeitung* is alone among outside commentators in recognising the importance of such items as balls and scandal (and cake for that matter) in Austrian public life. Under the attention-grabbing headline "Shadows over Klestil's presidency," it reported that Mrs Klestil attended the more prestigious philharmonic ball where she was greeted with a "prolonged ovation."

That was after Mrs K had disclosed that Ms Löffler was the Other Woman, which caused the tabloids to explode. "Sue or quit," *Kronenzeitung* told the president. Not only was the mistress on the presidential staff, she was also a career diplomat and had requested a posting abroad. "Send her to Finland," wrote a columnist in the paper which rather charmingly translates as *Daily Everything*.

There were any number of issues which served to inflame feeling. The president had to make a UN conference speech on family values, sponsored by the Vatican. There he pointed out that his experience had heightened his own awareness of such questions. Then, having said he was giving up his wife and his mistress, it was announced that Löffler was to accompany Klestil on next week's official visit to Egypt.

"She belongs to the president's team and she organised the Egypt trip," explained the president's office. But that resolution did not last long. On Wednesday officials said she would leave the presidency and "take a long holiday."

Curiously, that marked the anniversary of another Viennese tale of starcrossed lovers. Crown Prince Rudolf, heir to the imperial throne, and his mistress, Maria Vetsera, were found dead at the hunting lodge at Mayerling 105 years ago.

It was supposed to have been *suicide but the Habsburgs offered* little evidence. It is a strange thought that that tragedy could have been averted had Finland gained its independence a generation earlier.

James Morgan is economics correspondent of the BBC World Service.

The Nature of Things / **Clive Cookson**

DNA: the case for the prosecution

Our system of justice evolved at a time when people believed in absolute values. It works through an adversarial process to discover the truth about the defendant's guilt or innocence.

Science operates quite differently. For all its competitiveness, it is essentially cooperative – and researchers are used to working with probabilities rather than absolute truths.

The different processes and values of the two systems are now causing unprecedented tensions between criminal justice and science. The immediate issue is DNA profiling – perhaps the most powerful forensic technique discovered this century.

Although everyone in the world has different genes (apart from identical twins) it is not yet technically feasible to produce an identifying print-out of an individual's genetic code. Instead, DNA profiling is a way of showing up differences in particular genetic sequences that vary to an extraordinary extent from one person to the next.

Sir Alec Jeffreys invented the technique in 1984 at Leicester University. His laboratory procedure has 11 steps, including extracting DNA from a forensic sample such as blood or semen, slicing it up with special enzymes, separating the DNA fragments in an electric field and making them visible with radioactive probes on X-ray film. The resulting "DNA fingerprint" is a pattern of bars or stripes reminiscent of a supermarket bar code.

Within a year DNA profiles were being used to prove family relationships in paternity and immigration cases. The technique's first forensic triumph came in 1986 when Leicestershire police used DNA fingerprints to track down Colin Pitchfork, who had raped and murdered two 14-year-old girls.

Over the following three years, police forces in the US and UK took up DNA profiling with enthusiasm and secured many convictions with its help. But by 1989 critics were raising doubts about its validity and reliability; in several well publicised cases during the early

DNA profiling from a recent rape case. The specimen DNA is run alongside samples from three suspects. It matches suspect 1.

1990s, they convinced US judges not to allow the prosecution to present DNA evidence.

Some of the early problems resulted from sloppiness and poor quality control in commercial testing labs that had introduced DNA profiling too rapidly. Most of those shortcomings have now been put right.

At the heart of the current tensions between forensic science and the law is the way DNA evidence is presented in court. The point is that DNA profiling is not an absolutely precise technique; it is an indirect visualisation of genetic markers rather than a direct reading of genetic code. Even with a perfect match between a suspect and an incriminating sample, the forensic scientist can never be 100 per cent sure that this did not occur by chance.

The degree of certainty about the suspect's guilt depends on a variety of technical factors, notably the amount of blood or semen available for testing and its quality. Under favourable conditions the odds may be billions to one on the match; with a tiny spot of dried blood, they may only be thousands or *hundreds to* one.

The critics say that some over-enthusiastic forensic witnesses, egged on by the prosecution, have overstepped their proper role as providers of DNA evidence and have given what juries took as definitive statements of guilt.

There is now a vigorous debate between lawyers, geneticists and statisticians about the correct basis for calculating probabilities of a match between a forensic sample and a suspect – and how to present these in court. In the US the National Academy of Sciences, which brought out an influential report on DNA profiling in 1992, is under pressure from the FBI to carry out a new study. In the UK the Court of Appeal has ordered the re-trial of a convicted rapist because of the way DNA evidence was used in his original trial.

Statisticians are concerned that courts have been confused over two quite different probabilities. One is the chance that an innocent individual selected at random would have a DNA profile matching the forensic sample. In principle, an expert can estimate this from a technical knowledge of DNA profiling and population genetics.

The second probability – the one that actually matters in court – is the chance that the suspect is innocent even though his DNA matches the sample. This is far harder to estimate because it depends on the circumstances of the case and the number of other potential suspects who might have carried out the crime. If there is no supporting evidence and the suspect was picked out from a mass DNA screening programme, the risk of convicting someone innocent will be far higher than the first probability would suggest.

To illustrate the two probabilities, imagine that a rape suspect is arrested after genetic screening of 100,000 men in a particular city, simply because his DNA profile matches the forensic sample. Then, if one man in a million has this pattern – and no other evidence implicates the suspect – there is a 10 per cent chance that he is innocent.

Such calculations highlight the dangers of what some statisticians call the "prosecutor's fallacy" – the suggestion that the first probability is the same as the second. They also show how dangerous it is to convict someone on the basis of DNA evidence alone.

DNA profiling is quite rightly becoming a routine tool of forensic science. It is probably used in about 1,000 forensic investigations a year in the UK – to rule out innocent suspects as well as to convict the guilty. Most of these cases never come to court but, when they do, it is vital that all concerned should treat DNA evidence in a truly scientific way. In other words, lawyers have to become more familiar with thinking about probabilities rather than certainties.